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1985

TEXAS

Lodging

INDUSTRY

Laventhol & Horwath
Certified Public Accountants

1985 Edition

7TH ANNUAL REPORT ON TEXAS HOTEL OPERATIONS

TEXAS LODGING INDUSTRY

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THE TEXAS LODGING INDUSTRY—1984
A STATUS REPORT

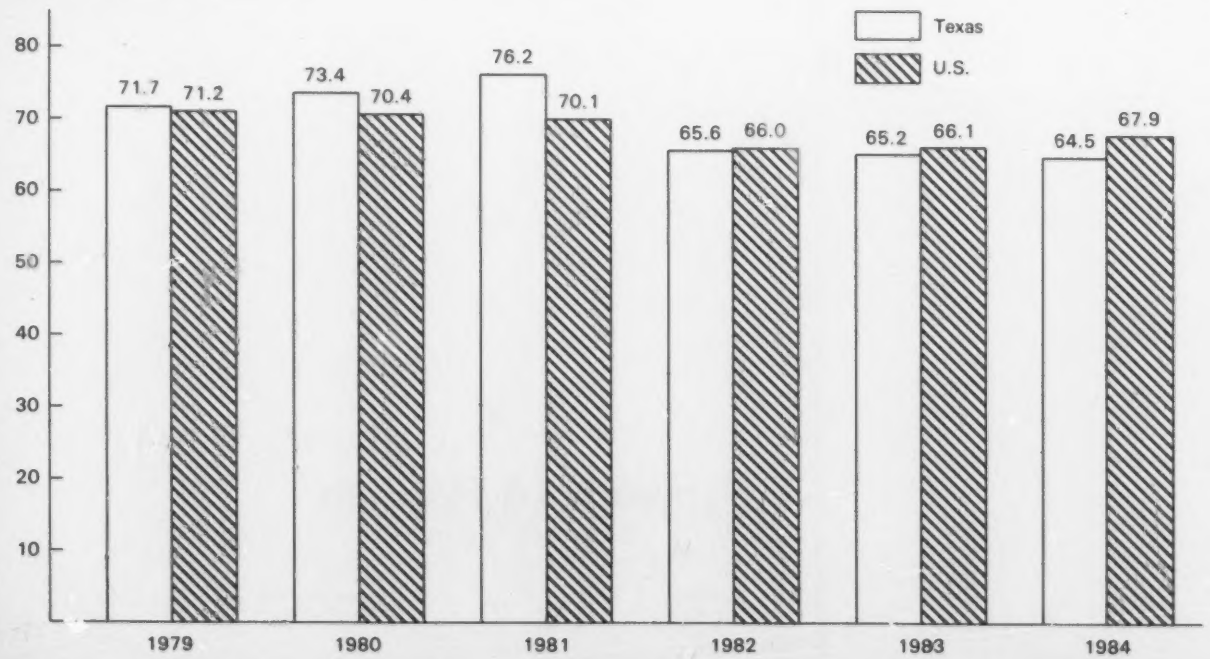
For the third consecutive year, occupancy rates for the state of Texas were below the national average (Chart 1). State-wide occupancy declined approximately .7 percentage points to 64.5 percent, while the national average occupancy increased by nearly 2 points to 67.9 percent. This reflects the overall economic trend in Texas, which experienced a recession while the national economy began its recovery. Similarly, the Texas lodging industry is expected to recover over the next few years, following the national trends.

The rapid expansion of the Texas economy in the early 1980s stimulated a great deal of hotel development throughout the state. Many of these projects were underway when the economy began to turn in mid-1982. The three-year trend in declining occupancy levels reflects the addition of these new rooms to the market; the pace has slowed considerably as new hotel development continues. In the next few years, supply and demand should begin to balance on a state-wide basis.

Table 1 (p. 3) ranks the top five Texas-based lodging chains with regard to total number of hotels in Texas. Significant changes have occurred since the 1984 rankings. Brock Hotel Corporation dropped out of the top five ranking as they sold a great number of properties in Texas during a major corporate restructuring. This moved the Mariner Corporation into the number three position. Deluxe Inns, a relative newcomer to this analysis, moved into the fourth position. Based in Dallas, this chain began operations in 1982 and currently owns and manages 15 properties in the state. For the fourth consecutive year, Motor Hotel Management fills out the top five ranking.

Those chains with the greatest pro-

Chart 1
Occupancy Rates
Texas Compared with Total U.S.



jected increase in the number of hotels in 1985 and 1986 are displayed in Table 2. This list differs considerably from 1984 with three new names: Rodeway Inns International of Dallas currently has 147 hotels and plans to add 63 properties, a 43 percent increase over present supply. Embassy Suites, located in Irving, currently owns, holds franchises or manages 30 properties, with plans to add 57 properties to their supply by year-end 1986. The third newcomer to the list is Westbrook Inns Management, Inc., also from Irving, which currently manages 20 properties and expects the addition of 23 hotels within the next two years.

Significant changes occurred in Texas-based lodging chains in 1984, as shown in Chart 2 (pp. 4-5); a 12 percent increase took place in the number of hotels in the state. Hotel operators projected 21,578 rooms opened in 1984 when in fact the total reached 24,282. This resulted in a 13 percent increase over projections. The number of rooms projected to open in 1985 is 27,888, larger than the 1984 study projection of 17,680.

The majority of the chains are concentrated in three areas; of the 60 chains shown, 31 are based in the Dallas area, 16 in Houston and five in San Antonio. Over 44 percent of the Texas-based hotel chains began operating since 1980, 36 percent since 1970 and 20 percent before 1970.

It appears that Texas-based chains have been building less properties in the state in recent years. Approximately 41 percent of hotel rooms in Texas-based chains are currently in Texas, a decrease from the 44 percent reported last year. Additionally, the average number of rooms per property in the United States by Texas-based chains decreased from 192 to 179, and in the state itself the number decreased from 203 to 174.

Chart 3 (pp. 6-7) shows major lodging chain representation in Texas. Again, Holiday Corporation tops the list, followed by Best Western International. There have not been any changes in the top five rankings in 1985 as compared with 1984. The most significant change has been an increase of over 7,000 rooms by the Holiday Corporation, and an increase of more than one thousand rooms by both Hilton Hotels and Ramada Inns.

Table 1

	Number of Hotels Located in Texas	Total Number of Hotels	Percentage of Hotels Located in Texas
La Quinta Motor Inns, Inc.	72	146	49%
Rodeway Inns International	37	147	25
Mariner Corporation	17	25	68
Deluxe Inns	15	15	100
Motor Hotel Mgmt., Inc.	14	44	32

Table 2

	1985*		1986*	
	Number of Hotels	Number of Rooms	Number of Hotels	Number of Rooms
Rodeway Inns International	28	3,416	35	3,745
Embassy Suites	21	5,250	36	8,530
La Quinta Motor Inns, Inc.	22	3,194	25	3,263
Westbrooke Inns Mgmt., Inc.	11	1,650	13	1,690
Texian Inns	7	850	4	500

*Projections.

Chart 2
Texas-Based Lodging Chains—1984

Name of Chain and Year Founded	City	Total Number of Hotels	Total Number of Rooms	Total Number of Hotels in Texas	Total Number of Rooms in Texas
Amberley Hotel Corp.—1983	Dallas	—	—	—	—
American Guesthouse—1983	San Antonio	1	125	1	125
American General Hospitality Inc.—1973	Dallas	3	600	3	600
Benchmark Management Corp.—1980	Woodlands	2	512	2	512
Border Inns of America—1972	McAllen	5	832	5	832
Brock Hotel Corp.—1969	Dallas	45	9,500	3	678
Brock Suite Hotels—1981	Irving	8	903	2	190
Brookhollow Hotel Corp.—1980	Dallas	6	549	5	439
Coachlight Inns—1970	Tyler	3	450	2	300
Condel Development, Inc.—1980	El Paso	3	798	—	—
Criswell Development Co.—1976	Dallas	4	1,141	2	853
Deluxe Inns—1982	Dallas	15	1,101	15	1,101
De Palma-Korsemeir—1983	Dallas	4	735	4	735
Embassy Suites—1983	Irving	30	5,960	10	1,813
E-Z Travel Motor Hotels—1974	Austin	2	193	2	193
Gal-Tex Hotel Corp.—1940	Galveston	16	3,500	2	458
Harvey Hotels—1982	Dallas	2	592	2	592
Hawthorne Suites Hotel Corp.—1983	Dallas	1	128	1	128
Hospitality Enterprises Inc.—1977	Houston	21	2,322	9	1,028
Hospitality Management Corp.—1971	Dallas	10	2,400	2	205
Hotel Management Inc.—1976	Houston	4	835	4	835
Houston International Hotels—1960s	Houston	2	562	1	336
HR Hospitality—1976	Houston	4	901	1	295
Jack Tar Hotels—1969	Dallas	3	678	—	—
La Quinta Motor Inns—1963	San Antonio	146	18,222	72	9,012
Las Colinas—1980	Irving	1	424	1	424
Lexington Inns—1956	Irving	10	1,842	8	1,527
Lincoln Hotels—1981	Dallas	12	3,365	4	1,339
Manor House Inns—1968	Houston	4	490	4	490
Mariner Corporation—1974	Houston	25	7,529	17	5,422
Mark Twain Inns—1983	Dallas	1	114	1	114
Metro Hotels—1971	Dallas	13	3,528	9	2,553
Motor Hotel Management Inc.—1975	Dallas	44	8,768	14	2,963
Olympic Hotels Corp.—1973	Houston	5	1,000	1	200
Omega Management—1980	Houston	1	138	—	—
Pan-Tex Hotel Corp.—1961	Laredo	2	440	2	440
Pratt Hotels—1969	Dallas	30	8,895	4	948
Prism Company—1984	Dallas	1	185	1	185
Registry Hotel Corp.—1971	Dallas	5	1,661	1	530
River Hotel Company—1967	San Antonio	3	1,053	3	1,053
RJS Hospitality—1981	Houston	3	612	2	371
Rodeway Inns International—1962	Dallas	147	17,934	37	4,320
Rosewood Hotels—1979	Dallas	4	565	2	392
Royal Ins—1982	Lancaster	6	310	6	310
Rubin Associates—1980	San Antonio	4	620	3	302
Sidney Balman Properties—1981	Dallas	3	697	3	697
Southmark Hospitality—1982	Dallas	11	1,957	—	—
Southwest Inns—1963	Houston	12	2,424	12	2,424
Summit Hotels—1975	Dallas	2	664	1	379
Sumner-Greener/Fussell Group Joint Venture—1981	Dallas	4	698	3	460
Sunbelt Hotels, Inc.—1970	Houston	6	1,800	6	1,800
Tal-Con Inc.—1974	Houston	4	495	4	495
Texian Inns—1980	San Antonio	12	1,500	12	1,500
Vista Host Inc.—1977	Houston	18	3,400	4	678
Vogue Management—1982	Houston	1	104	1	104
Westbrooke Inns Management, Inc.—1973	Irving	20	2,510	3	350
Wilder Development—1982	Henderson	4	721	4	721
Wyndham Hotel Corp.—1982	Dallas	15	8,166	5	1,847
TOTAL		773	138,148	328	56,598

*O—Owned/Operated, M—Managed, F—Franchised.
**Projections.

1984		1985**		1986**		
Number of Hotels Opened	Number of Rooms Opened	Number of Hotels Opened	Number of Rooms Opened	Number of Hotels Opened	Number of Rooms Opened	Type of Chain*
—	—	2	340	—	—	O,M
—	—	2	250	4	550	O,M
—	—	2	270	3	505	O,M
1	244	1	235	—	—	M
1	200	—	—	—	—	M
—	—	—	—	3	—	O,M,F
5	577	1	128	12	—	O,M,F
—	—	(5)	(439)	—	—	O,M,F
—	—	—	—	1	90	O
—	—	4	945	2	590	O,M
—	—	1	450	—	—	O
7	475	1	60	—	—	O,M
4	735	3	525	3	875	O,M
30	5,960	21	5,250	36	8,530	O,M,F
—	—	—	—	—	—	O,M
1	151	3	1,000	—	—	O,M
—	—	1	429	1	507	O,M
1	128	5	439	6	825	O,M
4	492	3	370	6	780	O,M,F
3	500	1	242	4	—	M
1	164	—	—	—	—	M
—	—	—	—	—	—	O,M
1	125	—	—	—	—	O,M
—	—	—	—	—	—	O,M
10	1,533	22	3,194	25	3,263	O,M,F
—	—	—	—	1	314	O
2	361	5	576	5	576	O,M
2	676	3	1,205	—	—	O,M
—	—	—	—	—	—	O,M
1	346	—	85	2	705	O,F
—	—	—	—	5	480	O,M,F
1	203	—	—	1	309	O,M
—	—	—	—	—	—	M
—	—	—	—	—	—	O,M,F
—	—	—	—	1	65	O,M
—	—	—	—	—	—	O,M
1	221	7	2,386	—	—	O,M
1	185	1	136	1	350	O,M
—	—	—	—	1	476	O,M
1	350	—	—	—	—	O,M
1	240	—	—	—	—	O,M
26	3,172	28	3,416	35	3,745	O,M,F
1	80	1	220	—	—	O,M
3	155	3	276	2	130	O,M
1	122	2	266	1	200	O,M
—	—	—	—	—	—	O,M
3	414	3	592	—	—	O,M
1	144	—	—	—	—	O,M
—	—	1	200	3	900	F
1	150	1	310	1	150	O,M
2	500	1	305	—	—	O,M
—	—	—	—	—	—	O,M,F
7	850	7	850	4	500	O,M
2	300	1	200	4	750	O,M
—	—	2	350	1	175	M
7	851	11	1,650	13	1,690	M
1	265	—	—	—	—	O
7	3,243	2	738	8	1,509	O,M
139	24,282	147	27,449	195	29,539	

Chart 3
Major Lodging Chain Representation in Texas as of May 31, 1985

	Austin		Corpus Christi		Dallas		El Paso	
	Number of Properties	Number of Rooms	Number of Properties	Number of Rooms	Number of Properties	Number of Rooms	Number of Properties	Number of Rooms
Holiday Corporation	3	669	3	763	19	4,265	3	577
Best Western International	3	602	1	254	5	853	3	398
Hilton Hotel Corp.	1	336	1	498	6	2,468	1	251
Ramada Inns, Inc.	3	422	2	277	7	1,418	1	252
La Quinta Motor Inns	4	471	3	453	12	1,497	3	389
Sheraton Corp.	2	287	1	175	6	1,871	1	106
Motel 6 Inc.	2	267	2	250	3	339	2	265
Marriott Hotels	1	301	1	350	4	1,909	1	300
Quality Inns	1	171	1	99	2	365	—	—
Rodeway Inns International	2	113	1	141	6	613	1	310
Hyatt Hotels Corp.	1	448	—	—	1	947	—	—
TraveLodge International, Inc.	3	342	1	148	2	332	2	180
Embassy Suites	2	261	1	156	2	529	1	185
Wyndham Hotel Corp.	1	331	—	—	1	572	—	—
Days Inns of America, Inc.	1	142	1	122	5	778	—	—
Howard Johnson Company	2	390	—	—	2	286	1	96
Lexington Hotel Suites	1	218	—	—	2	256	—	—
Four Seasons Hotels	—	—	—	—	1	450	—	—
Westin	—	—	—	—	1	444	—	—
Residence Inns	—	—	—	—	1	70	1	176
Hershey Hotels	—	—	1	474	—	—	—	—
Brookhollow	2	162	—	—	3	277	—	—
TOTAL	35	5,933	20	4,160	91	20,539	21	3,485

Fort Worth		Houston		San Antonio		Other Texas		Total Texas		
Number of Properties	Number of Rooms	Number of Properties	Number of Rooms	Number of Properties	Number of Rooms	Number of Properties	Number of Rooms	Number of Properties	Number of Rooms	Average Rooms Per Property
3	582	21	6,084	5	1,431	77	11,350	134	25,721	192
3	261	6	778	5	619	125	9,750	151	13,515	90
1	430	8	2,654	1	480	13	2,854	32	9,971	312
1	303	7	1,774	2	215	35	4,839	58	9,500	164
2	207	10	1,295	10	1,293	28	3,406	72	9,011	125
—	—	5	1,610	1	190	16	2,666	32	6,905	216
4	480	1	205	2	214	40	4,696	56	6,716	120
—	—	6	2,411	2	804	1	228	16	6,303	394
2	223	7	1,134	2	220	32	3,078	47	5,290	113
1	128	5	699	3	268	18	2,148	37	4,420	119
1	520	2	1,358	1	633	—	—	6	3,906	651
1	130	7	756	3	308	20	1,561	39	3,757	96
—	—	1	239	1	261	4	633	12	2,264	189
—	—	2	658	1	328	—	—	5	1,889	378
—	—	2	242	2	244	1	119	12	1,647	137
—	—	3	406	1	90	4	358	13	1,626	125
1	144	1	256	1	212	2	458	8	1,544	193
—	—	2	782	1	250	—	—	4	1,482	370
—	—	2	906	—	—	—	—	3	1,350	450
1	120	2	449	1	128	—	—	6	943	157
—	—	—	—	—	—	—	—	1	474	474
—	—	—	—	—	—	—	—	5	439	88
21	3,528	100	24,696	45	8,188	416	48,144	749	118,673	158

COMMENTS FROM AROUND THE STATE

From Arlington

Arlington is the largest of the eight cities known as the Mid-Cities, located between Dallas and Fort Worth in the vicinity of the Dallas/Fort Worth International Airport. Arlington has experienced strong population and employment growth from 1980 to 1984, with compound annual rates of approximately 5.2 percent and 6.5 percent, respectively. Additionally, Arlington has experienced significant growth in office, retail, residential and industrial space.

A major component of the Arlington economy is the tourism market. Many families are attracted during the summer months, with the major attraction in the area being the Six Flags Over Texas amusement park, which drew approximately 2.4 million people in 1984. Other attractions in the area are water parks such as Wet 'n Wild and Whitewater which draw approximately 500,000 people annually, mostly from the local population, and Arlington Stadium, the home of the American League Texas Rangers baseball team. Other components of Arlington's economy include the University of Texas at Arlington and the Great Southwest Industrial Park, with 7,000 acres of industrial development. Future growth of the Arlington economy is expected to occur near the Interstate 20 (I-20) corridor where many developments are planned including a regional mall, hotels, office, medical, industrial and other retail space.

The 1984 market occupancy in Arlington improved approximately 5 percentage points to 69 percent. However, the average room rate in the market declined 2.8 percent to approximately $42 in 1984. The increase in overall occupancy led to new hotel development which occurred in mid-1984 and the beginning of 1985. New projects include:

- A 192-room Charley's Club opened in the fall of 1984 in east Arlington.
- A 185-suite Amberley Suite opened in spring 1985.
- A 320-room Sheraton, located in the Centre-Point development just east of Arlington Stadium and proximate to the new Arlington Convention Center, opened in spring 1985.

Additionally, several hotel developments are currently under construction or planned in the Arlington area. These include:

- A 140-room Hampton Inn expected to open in the fall 1985, in south Arlington along I-20.
- A 203-suite Radisson Suite Hotel planned to open in mid-1986, in northeast Arlington.
- A 148-room Marriott Courtyard planned to open in mid-1986 just west of Arlington Stadium.
- A 128-room Hampton Inn in northeast Arlington which should open by late 1986.

In the short term, occupancies are expected to decline due to these new hotel developments. However, growth in commercial and industrial space and the opening of the new convention center should create new demand in the Arlington area.

Steve Johnson
Margelia Jones
Dallas

From Austin

Despite a general downturn in the Texas economy, caused by a depressed oil and gas market and the devaluation of the Mexican peso, the Austin economy experienced another strong year in 1984. The expansion and relocation of high-technology firms continues to be a major driving force in the Austin economic environment. Real estate development shows positive trends as estimates by the Horne Company Realtors project 6.3 million square feet of commercial space under construction, of which 5.1 million square feet is available. Absorption of existing space in 1984 was 2.6 million square feet, an increase of 78 percent over 1983 levels. As would be expected, the number of building permits and building permit values increased over 1983 levels 15.7 percent and 39.7 percent, respectively. Austin employment also reflects a strong economy, with the 1984 unemployment rate at 3.3 percent. This is substantially below the 5.9 percent for Texas and the national average of 7.5 percent.

In 1984, citywide hotel occupancies were estimated at 74.5 percent with an average rate of approximately $45.56. This represents a 5.8 percent increase over 1983 average room rates. Occupancy remained constant, despite the addition of 1,456 new hotel rooms. Seven new additions, two expansions and the one renovation that comprised this increase included:

- The 350-room La Mansion located in north Austin.
- The 210-room Austin South Plaza Hotel.
- A 200-room Holiday Inn in northwest Austin.
- A 150-room Exel Inn at the intersection of Highway 183 and Interstate 35 in north Austin.
- A 141-room Kings Inn on Interstate 35 in north Austin.
- A 100-room Executel Motor Inn located along Highway 183 east of Interstate 35.
- A 261-room Embassy Suites (formerly Granada Royale Hometel) south of the intersection of Interstate 35 and Highway 290 in north Austin.
- A 44-room Quarters Motor Inn located at the intersection of Burnett Road and Highway 183 in northwest Austin.
- A renovation completed during 1984 of the Stephen F. Austin Hotel, reducing its room count by 23.

Projects slated to open during 1985 and 1986 include:

- A 99-room Habitat Inn to open in January of 1985.
- An expansion of 146 rooms at the Holiday Inn—Townlake started in 1984 is

due to open in 1985.

- A 365-room Marriott, located at 11th Street and Interstate 35, started construction in 1984 and is scheduled to open in mid-1986.
- A Brock Residence Inn, featuring 128 suites, started construction in 1984 and is scheduled to open in June of 1985.
- A 261-unit Embassy Suites, located at Riverside Drive and Congress, started construction in 1984 is scheduled to open in January 1986.
- The 261-room Waller Creek Plaza Hotel, scheduled to open in mid-1985, is located at 6th Street and Interstate 35 feeder road.

A total of approximately 535 rooms are projected to open in 1985. Several additional hotel projects are in varying stages of development showing the continued dynamics of the Austin lodging market.

The strength of the Austin economy is projected to provide continued support for the increasing hotel supply resulting in growth of occupied rooms and stable area occupancies in 1985.

Anthony Levinson
Houston

From Bryan/College Station

The lodging market in Bryan/College Station, home of Texas A&M University, experienced a decline in market occupancy in 1984. The citywide occupancy level for 1984 was approximately 56 percent, representing a 7 percentage point decrease from the 1983 level. The decline in occupancy reflects the downturn in the local economy resulting from a significant drop in oil and gas exploration activity in the surrounding area. Although occupancy levels declined, average daily rates increased slightly by 1 percent. No new hotels opened during 1984, yet demand for lodging facilities appears to be increasing, with significant growth exhibited within the commercial and tourist market segments.

Future demand for lodging within the convention segment is anticipated to increase as new hotel developments are expected to attract greater numbers of state and local conventions. Hotel projects scheduled to open in 1985 include the following:

- A 115-room Texian Inn, under construction along Texas Avenue, will open in March of 1985. This hotel will cater to the price-conscious commercial traveler.
- A 300-room Hilton Inn, under construction along University Drive, will have the largest amount of meeting space in the market, with 18,000 square feet. A June 1985 opening is anticipated.

Although the 1984 occupancy statistics for the Bryan/College Station area reflect a depressed economy, increases in demand are projected over the next two years. Increases in occupancy levels will not be evident until the new additions to the lodging market are absorbed by the expanding demand base.

Martha Gottenberg
Houston

From Corpus Christi

The Corpus Christi lodging industry continued to be affected by the negative impact on discretionary and corporate travel caused by the national recession in 1984. The city's lodging industry is largely dependent on tourism and the oil industry, both of which have been slow to recover from the recession. Occupancy in Corpus Christi was 53 percent in 1984, showing a decrease of 4 percentage points from the 1983 occupancy of 57 percent. The average room rate decreased from $39.20 to $37.87 as operators postponed scheduled increases because of decreasing occupancy.

The city's new convention center has begun to show a large increase in future bookings, due in part to the 350-room Marriott, which opened in June 1984, and the 474-room Hershey Hotel, which opened in January 1985. As a result of the presence of these new hotels and the increased meeting space in the market, Corpus Christi is now expected to attract major conventions that were not able to meet in the city in the past.

Additional new hotel development is occurring in several areas throughout the city. These include:

- A Drury Inn, located along the I-37 corridor, opened in the spring of 1984.
- A Granada Royale Hometel on South Padre Island Drive at Everhart opened in September of 1984.
- A Days Inn at I-37 and Isom Road opened in April of 1984.

Corpus Christi's economy is beginning to recover from the recession; however, the rate of recovery will be influenced by the recovery rate of the oil and gas industry. Increases in lodging demand should follow. Market occupancies should continue to be low in 1985, however, as moderate increases in demand are not expected to be sufficient to absorb the additions to supply.

Ken Bible
Houston

From Dallas

The lodging industry in Dallas experienced strong growth in 1984, achieving a citywide occupancy of approximately 64 percent, 4 percentage points above the 1983 level. Hotels in all market sectors realized increases in year-end occupancies ranging from less than 1 to approximately 9 percentage points above 1983 levels. The North Dallas and Dallas/Fort Worth International Airport sectors achieved the largest occupancy increases in the city and ended the year at 68.8 percent and 72 percent, respectively. The increase in occupancy achieved by all sectors indicates the strong absorption of rooms in the Dallas market during 1984.

Average room rates increased along with occupancy. The citywide average room rate for 1984 was $52.19, a 5.6 percent increase over the 1983 rate. All sectors, except Arlington, achieved increases in their year-end average room rate over 1983 levels. The increase is contrary to the 1983 results, when the citywide average room rate dropped approximately 3 percent compared to 1982 levels, due in part to the substantial increase in the number of rooms. The increase in average room rates during 1984 is attributable in part to a reduction in discounting as the new rooms have been absorbed by the Dallas lodging market. During 1985, it is anticipated that additional new rooms in the Dallas lodging market will be absorbed, and average room rates should continue to increase.

Dallas has developed rapidly as a commercial center, with particular strength in the high technology, real estate and finance industries. Total employment in the area has grown at an annual compound rate of approximately 5.5 percent between 1979 and 1984, with no one employment sector dominating the economy. This trend is anticipated to continue in the future.

For the third consecutive year, Dallas ranks as one of the nation's strongest markets in both new office construction and office space absorption. Approximately 7.9 million square feet of office

space was absorbed in the Dallas area during 1984. Although total absorption in 1984 was somewhat less than last year, total leasing activity and commitments for the year were substantial and represent a continuing healthy demand for office space. Approximately 18.9 million square feet of office space was added to the Dallas market during 1984, with an additional 24.2 million square feet anticipated for completion during 1985. Commercial activity is located throughout the city with strong concentrations of office space existing and under construction in the central business district, North Dallas (north of LBJ Freeway) and Las Colinas sectors.

As Dallas' economy continues to grow, the large number of additions to supply in 1983 and 1984 should continue to be absorbed. As a result, both occupancies and average room rates are anticipated to increase at moderate rates during 1985.

Andrew Kern
Margelia Jones
Dallas

From El Paso

The El Paso lodging industry is influenced by the United States and Mexican economies, both of which recovered slightly in 1984. Consequently, the lodging industry in El Paso experienced a slight recovery in 1984.

Market occupancy levels for 1984 were approximately 69 percent, an increase of 5 occupancy points over the 1983 level of 64 percent. This increase in occupancy can be attributed in part to the upturn in the economy as well as absorption of new additions to the market. Although the market occupancy increased in 1984 it was still 5 points below the 1982 level of approximately 74 percent; it is not expected to return to the 1982 level in the near future due to the number of rooms which will be added to the supply in 1985 and 1986.

New projects under construction or planned include:

- A 150-room La Quinta, built at the Mesa Street exit of I-10 and opened in late 1984.
- A 115-room Texian Inn under construction at I-10 near Viscount and scheduled to open in early 1985.
- A Holiday Inn under construction at Sunland Park and I-10, on the west side of El Paso, is scheduled to open in early 1985.
- A 200-room Kings Inn under construction off I-10 at Yarbrough on the east side of El Paso and scheduled to open in 1985.
- The Hilton Inn at the airport has closed most of its rooms while undergoing a complete renovation and addition to the property. This hotel will reopen with 272 first-class rooms in late 1985. Over half of the rooms will be suites and 17,000 square feet of meeting space will be available.
- The Brock Residence Inn is scheduled to add 24 suites to its total of 176, a small amount of meeting space and a four-lane lap pool. This addition is scheduled for completion by early 1986.
- The Paso del Norte Hotel, which has been closed for several years, is currently undergoing renovation and expansion. This 400-room central business district property is scheduled to reopen in the spring of 1986 and will be operated by Westin Hotels.
- An American Guest House planned for a site near the airport on Airways Boulevard. The property is planned to open in early 1986 with 148 rooms and offer such amenities as free breakfast and cocktails.
- A 126-room Amerisuites under construction on I-10 southeast of the airport and scheduled to open in 1986.

The outlook for the El Paso lodging market is favorable. However, due to the significant increases in rooms supply, citywide occupancy is projected to decrease during 1985.

Julie Halstead
Margelia Jones
Dallas

From Fort Worth

Overall market occupancies in Fort Worth showed little change during 1984 when compared with 1983 results. The overall occupancy rate for Fort Worth during 1984 was approximately 63.8 percent, compared with approximately 64.5 percent during 1983. This was the result of an approximate 13 percent increase in the number of available hotel rooms in conjunction with an approximate 12 percent increase in demand for rooms. Market average room rates climbed 16 percent, to approximately $41.40 during 1984.

Five new properties opened in the Fort Worth area during 1984.

- A 115-room Texian Inn located near Precinct Line Road and Airport Freeway.
- A 75-room Delux Inn located along south Interstate 35W.

Dallas
(New Properties)

Area	Property	Rooms	Status*
Downtown	Ambassador Park Hotel (renovation)	110	O
	Plaza Hotel (renovation)	173	U/C
	Crescent Hotel	226	U/C
Market Center and	Loews Anatole (expansion)	720	O
Stemmons Freeway Corridor	Embassy Suites	247	U/C
	Radisson Hotel	203	U/C
North Central	Holiday Inn—Plano	162	O
Expressway Corridor	Park Suite Hotel	280	U/C
	Colony Parke Hotel (renovation)	300	U/C
North Dallas	Garden Inn Motel	120	O
	Harvey House Hotel	429	U/C
D/FW International	Rodeway Inn	142	O
Airport and Las Colinas	Preference Inn	143	O
	Holiday Inn—South (expansion)	159	O
	Exel Inn	152	O
	Red Roof Inn	150	U/C
	Embassy Suites	321	U/C
	Ameri-Suites	126	U/C
	Las Colinas Inn and Conference Center	315	U/C
	Wyndham Courtyard	178	U/C
South Dallas	Lexington Inn Suites	108	O
East Dallas	Sheraton Inn (expansion)	80	O
	Exel Inn	114	U/C
Arlington	Charleys Club	192	O
	Sheraton Centre Point	320	U/C
	Summit Hotel	200	U/C
	Hampton Inn	140	U/C
	Amberley Suites	185	U/C

*O – Open; U/C – Under Construction.

- A 104-room Apple Inn located along south Interstate 35W.
- A 247-room Holiday Inn—Fort Worth South Conference Center.
- A 55-room expansion to the existing Best Western—Sandpiper Inn located at Meachum Field Airport.

The Fort Worth lodging market has grown in 1984, and market indicators suggest new growth in all segments for 1985. Fort Worth recorded an office space market occupancy of 75 percent in 1984, with a record amount of nearly 1.4 million square feet of space absorbed. Approximately 546,000 square feet of office space is expected to be completed during 1985.

Additional efforts to promote Fort Worth as a viable meeting and convention location are underway by the Convention and Visitors Bureau and are expected to generate additional room nights during 1985. Tourism has steadily increased in Fort Worth as visitors to the Dallas/Fort Worth metroplex travel to see the historic Stockyards and other attractions including the Fort Worth Museum of Science and History, the Amon Carter Museum, the Kimball Museum and the Fort Worth Zoological Park and Botanical Gardens. Preparations are also underway for Fort Worth's 1986 Texas Sesquicentennial celebration.

In summary, the outlook for 1985 is positive. Increases are expected in both occupancies and average room rates for lodging facilities in the Fort Worth area.

Timothy Marvin
Margelia Jones
Dallas

From Galveston

Galveston area lodging demand is heavily dependent on tourism. In 1984, the downturn in the Texas economy continued to limit discretionary travel in the state. Further compounding problems for the Galveston area lodging industry was a one million barrel oil spill in the Gulf of Mexico that reached Galveston beaches in August 1984. Although the city of Galveston responded quickly and performed an admirable clean up job, press coverage of this event had a negative impact on Galveston's tourist demand. As a result, tourist demand during the peak occupancy periods was lower than 1983 levels.

Year-end 1984 occupancy was estimated at 58.2 percent, representing a 7.7 percentage point decline from 1983. This decrease was caused in part by several new properties opening during 1984. New additions to the lodging supply during 1984 include:

- The 244-room San Luis on the site of the Fort Crocker Bunker.
- The 185-room Holiday Inn adjacent to the San Luis.
- A 126-room TraveLodge.
- A 151-room Ramada Inn at the airport.
- A 69-room Airport Resort Inn.
- The 88-room Republic Inn.
- The 150-room Tremont Hotel opened February 15, 1985.

The city has also experienced substantial growth in condominium units. During 1984, 543 units opened in the Galveston area. Condominium development negatively impacts hotel occupancies as many condominium owners place their units in rental pool programs. Therefore, guests that might typically use hotel rooms may choose condominium lodging instead.

Extensive development in many other areas of real estate continues to occur in the Galveston area. Some of the major development projects are:

- A major mixed-use resort, known as Gold Cloud, began construction during June 1985 on the West Beach. This development includes condominiums, vacation homes, a golf course, a hotel and some commercial development.
- A hotel and condominium development is proposed for East Beach. This project, called Grand Point, is being developed by Houston developer J.R. McConnell and designed by Michael Graves.
- An expansion of St. Mary's Hospital that would increase its size by 60 percent is under construction.

The city has continued adding to its tourist attractions in recent years. New events and attractions include:

- A Mardi Gras scheduled to occur each February in the city.
- The Hope equestrian arena.
- The Colonel paddle wheel boat scheduled to begin service in the summer of 1985.

The extensive development occurring on Galveston Island should continue to positively impact growth in tourism. Subsequently, occupancy levels are expected to rise over the next few years.

Tony Levinson
Houston

From Houston

Occupancy in the Houston lodging market declined for the second consecutive year in 1984. Citywide occupancy was 50.7 percent, a 3.1 percentage point decrease from 1983. This decline was primarily attributable to the net increase of 3,743 rooms, which exceeded the increase in demand. The actual number of room nights occupied was up about 5 percent during 1984, signaling an improvement in market conditions. Average room rates increased less than 1 percent from $49.80 in 1983 to $50.03 in 1984. Changes in average room rates for specific geographic sectors ranged from a decrease of approximately 2 percent downtown to an increase of approximately 8 percent for the east sector. The table to the right summarizes 1984 additions to Houston's lodging supply.

Additionally, there were some reductions in supply during 1984 due to the consistently low market occupancies. The 207-room Guest Quarters—Galleria East discontinued operation as a hotel. It will reopen some time this year as an apartment building. The Whitehall Hotel, located downtown, closed some of its rooms and only operates the remaining 135 rooms on Monday through Friday. As the market improves, the remaining rooms will be put back into operation.

The lodging development pace is expected to slow considerably over the next several years. Two hotels, the 224-room Savoy located downtown and the 203-room American Inn located near Greenway Plaza have closed in 1985. These properties were both nearly 20 years-old. The accompanying table (p. 12) summarizes additions to supply for 1985 and 1986.

A number of factors should positively impact Houston's future economic growth. The Houston Economic Development Council was launched in the summer of 1984. This agency, with a budget of $5.5 million for its first two years, was formed to stimulate quality economic growth and stability in Houston through the expansion of existing businesses and the attraction of new companies. They are also developing a long-term marketing program for Houston. NASA has named the Johnson Space Center in Clear Lake as the lead center for the proposed space station program. The commercialization of space, a by-product

of this program, should create an expansion of private sector aerospace businesses in the Clear Lake area. Houston is under consideration as a potential site for a new naval installation and the location of the General Motors plant which will produce its new Saturn car. These developments should provide a more diversified economy less prone to the fluctuations of the oil and gas business, although this industry will still be important to the Houston economy. The George Brown Convention Center, currently under construction in downtown Houston and expected to open in 1987, should also have significant impact on the local economy in general and the hotel industry specifically.

Demand for hotels should continue to increase moderately during 1985 and 1986. Occupancy levels should increase slightly, but will not show any marked improvement until recent and new supply additions are absorbed. In future years, both occupancy levels and average room rates should return to more normal levels as the local economy shows the effects of the previously mentioned economic developments and hotel development activity slows down from the frenzied pace of the early 1980s.

Diane Parmerlee
Houston

From Laredo

The lodging market in Laredo has had a difficult period of adjustment since the devaluation of the Mexican peso in 1982. Approximately 15 percent of the business has left as a result of the loss of trade and tourism from Mexico. Hotel and motel operators have found it necessary to re-evaluate their marketing strategies. Commercial and tourist travelers continue to be the major portion of the lodging demand, comprising approximately 49 and 34 percent, respectively, of the Laredo market. Operators are actively looking to the north to develop new markets for group and convention business. Efforts to attract the commercial traveler are becoming more competitive, as all hotels are now offering attractive rates to the businessmen staying during the week. Weekend tourist business is recovering due to increased advertising in cities such as San Antonio, Austin, Houston, Dallas and New Orleans.

In 1984, Laredo's market occupancy was approximately 62 percent and average rate was approximately $41.88. The market occupancy should decline slightly in 1985 due to the first full year of operation of the new 207-room Holiday—Inn Civic Center which opened in August 1984. This hotel will utilize its inhouse meeting facilities as well as the exhibit and meeting facilities of the adjacent Laredo Civic Center. This should bring additional meetings and conventions to Laredo.

A 52-unit Family Gardens Inn is under construction in north Laredo just off Interstate 35. This motel, being constructed with modular units, will be fully equipped with kitchenettes, a pool, a playground and barbecue grills.

Future growth in the Laredo lodging market will depend on the continued efforts of the city to diversify the economy and decrease the dependence on the Mexican economic situation.

Frank Goeckel
Houston

From San Antonio

The San Antonio lodging industry remained healthy in 1984 as reflected by 71.6 percent occupancy, a 1.7 percentage point increase over 1983. Average room rates increased approximately 4.3 percent, from $32.87 in 1983 to $45.26 in 1984. The San Antonio local economy continues to benefit from increased levels of employment, residential, office, retail and industrial development as well as the movement of technology-related industries to the area. Existing major tourist and convention attractions are located downtown and five military installations are located throughout the city. Future levels of lodging demand are expected to benefit from a 200,000-square-foot expansion to the

1984 Additions to the Houston Lodging Supply

Area	Property	Rooms
North	Lexington Motor Inn	254
	TraveLodge—I-45 North	96
	TraveLodge—Humble	77
	Wyndham at Greenspoint	473
Northwest	Texian Inn	115
West	Park 10 Holiday Inn—Crowne Plaza	357
West Loop	Holiday Inn—Crowne Plaza	501
	InterContinental	514
Southwest	Holiday Inn—Greenway Plaza	364
South	Best Western—Dome Royale	111
	Marriott Medical Center	398
	Wyndham at Travis Plaza	185
	Quality Royale—Astrodome	242
	Texian Inn—Astrodome	115
Southeast	Super 8	78
East	La Quinta—Baytown	130

1985–1986 Additions to the Houston Lodging Supply*

Area	Property	Number of Rooms	Opening Date
Southwest	Texian Inn	115	1985
	Brock Residence Inn	152	1985
South	Hotel Luxeford	191	1985
Southeast	La Quinta—Hobby Airport	129	1985
	Airport Inn	120	1985
	Rodeway Inn—Hobby Airport	200	1985
	Hobby Airport Plaza	292	1986
Northwest	Comfort Inn	114	1985

*Projections.

existing 300,000-square-foot convention center in downtown San Antonio, expected to open in 1987. A restoration of the San Antonio Municipal Auditorium is expected to be completed in early 1985. The restored facility will include a 5,000-square-foot main floor, a 1,000-square-foot lobby, 4,000 square feet in smaller meeting rooms and a 8,000-square-foot exhibit area.

The development of two major tourist attractions in the area was recently announced: Sea World, a proposed $75 million marine park and, adjacent to Sea World, a $15 million to $20 million water ride amusement park. Both facilities are expected to open in 1987. The positive growth which San Antonio is experiencing has encouraged development of the following new hotels which opened in 1984:

- Brock Residence Inns opened a 128-unit property in the northwest sector on Interstate 10.
- A 129-room La Quinta opened in 1984 in the northwest sector.
- The Medical Center Guest House opened with 48 units.
- The 148-room relay Station Motel opened in the northeast sector.
- The 123-unit Rodeway Inn—Fredericksburg opened in 1984.
- Three Stratford House properties, each with 40 rooms, opened in 1984. One property is located in the northwest sector and two are in the northeast.
- Texas Guestel opened an all-suite property in the northeast area of the city with 103 units.
- Texian Inns opened a 115-room property at Market Square in the central business district.

New hotels/motels which are under construction or are expanding include:

- A 328-room Wyndham hotel opened in March of 1985 along Interstate 10 in northwest San Antonio.
- The 306-room Holiday Inn—Airport added 94 rooms, and construction was completed in March of 1985.
- A new 300-room Holiday Inn is under construction near the intersection of Interstate 10 and Loop 410. A March 1985 opening is planned.
- Additional meeting space and 87 guest rooms are being added to the 302-room San Antonio Marriott—North. Completion is scheduled for April of 1985.
- A 126-unit AmeriSuites is under construction in the northwest sector and is expected to open in May of 1985.
- American Guest House has a 125-room property under construction in the north central sector. Opening is expected in June of 1985.
- Drury Inn is adding another hotel in San Antonio in the Windsor Park area. The 106-room property is expected to open in June of 1985.
- Embassy Suites has a 261-unit property under construction near the airport and is expected to open in September of 1985.

Continued growth of San Antonio is expected due to the expansion and diversification of the local economy. As the general economic climate continues to be favorable, San Antonio's supply and demand for lodging accommodations is expected to increase.

Karen N. Peterson
Houston

TEXAS LODGING INDUSTRY—1984

by Mark A. Orlinsky and Jamie B. Mandell
Research & Development Division

Introduction

This is Laventhol & Horwath's seventh annual in-depth analysis of the Texas lodging industry. The information in this series of reports provides an understanding of the operating characteristics of the industry for the preceding year and is useful in analyzing trends in revenue and expenses over successive time periods. In addition, this information is useful as a guide for comparing the operating performance of individual establishments with that of comparable properties.

The information contained in this study was derived from contributors to the 1985 edition of L&H's *U.S. Lodging Industry*. After careful review of reasonableness and accuracy, 67 questionnaires were used in compiling the data for this study. They represent a broad cross section of the industry with total sales of approximately $410 million in 1984. The information for these properties is broken down into separate categories and includes medians, quartiles and arithmetic means. Supplementary information concerning source of business, composition of lodging demand and other relevant marketing statistics, as well as credit and collection data, are also presented.

The study presents analysis by size of the property, occupancy rate and location type. Do to an insufficient sample size, no data for the resort segment is presented in this edition. The information can be useful in identifying the operating performance of hotels with similar characteristics.

Bases of statistics

The statistics presented in this report have been computed on the three most common bases used to analyze the operating results of lodging enterprises: annual amounts per available room, ratios to room sales and ratios to total sales. Readers not familiar with L&H studies, and particularly those who are not well acquainted with the financial statements of hotels, are advised to read Chapter 28 of *Hotel Accounting*, published by the Ronald Press Division of John Wiley & Sons, New York. Knowledge of this material is essential for a thorough understanding of the meaning and significance of the statistical information in this report.

Most of the figures used in this study are medians and upper and lower quartiles and do not necessarily add to the totals shown. Each line item has been analyzed separately and the medians are based on the information submitted for that line item only, since all establishments did not report data for each line. Where appropriate, the arithmetic or weighted mean was used. For example, the figures in "The Texas Lodging Industry Dollar" (page 17) are based on weighted means to express absolute values rather than the relative position of the operating results of the establishments in the sample, which are shown by medians and quartiles. The figures are intended to be used as guidelines, not standards or goals. They are not an attempt by L&H to set or conform prices or operating ratios for the industry.

Profile of contributors

The participating establishments in this year's study are primarily from the middle to higher rate segments of the Texas lodging industry. This is contrary to last year's sample which contained a higher proportion of lower rate segment establishments. For this reason, analysis will be made with the national results reported in *U.S. Lodging Industry 1985* where appropriate, rather than previous year figures.

Exhibit 1 defines the typical contributor to this study based on various measures of central tendency such as mean, median and mode. As the exhibit shows, the typical contributor to this study is fairly representative of a large number of chain-affiliated properties built in the 1980s.

The highlights of this year's study, again using the various measures of central tendency, are shown in Exhibit 2. Contradicting the national trend for the second consecutive year, Texas occupancies fell to 64.6 percent compared with the national average of 67.9 percent. Average room rates were reported at $46.61, 11.8 percent below the $52.13 national average.

Market data

Information on the source of business, market composition, the percentage of advance reservations and the source and composition of advance reservations is presented in Exhibit 3. In addition to providing the information for the total sample, further detail is presented by location.

For this group of properties, 88.8 percent of room night demand was generated by domestic travelers, while 11.2 percent came from foreign travelers. This indicates a shift in the trend that developed during the past few years. This shift can be attributed to the declining U.S. dollar, which made travel more affordable in Texas, particularly to its Mexican neighbors. Highway properties reported an extremely high percentage of foreign

Exhibit 1
General Profile of Typical Contributor Based on Various Measures of Central Tendency

Criteria	Category of Typical Contributor
Age	Post 1980
Size	150–300 Rooms
Occupancy	60%–69%
Average Rate	$40.00–$54.99
Sales Volume	$2,500,000–$4,999,999
Restaurant Operation	Operated a restaurant in which the food and beverage sales was less than 50% of room sales.
Other Management Operation Results	Affiliated with chain; reported net income before income tax in 1984.

Exhibit 2
Highlights*

- Room Occupancy declined slightly to 64.5 percent compared with 65.2 percent in 1983.
- The average daily rate per occupied room was $46.61 in 1984.
- Total revenue on a per room basis was $11,068.
- Net room revenue as a ratio to total sales was 68.1 percent.

*Based on medians.

Exhibit 3
Market Data*

		Location			
	All Establishments	Center City	Highway	Suburban	Resort
Source of Business					
Domestic	88.8%	89.9%	78.4%	95.8%	93.2%
Foreign	11.2	10.1	21.6	4.2	6.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Repeat Business	39.4%	38.5%	47.0%	42.6%	48.8%
Composition of Market					
Government Officials	4.9%	2.0%	4.8%	4.2%	9.5%
Business Travelers	44.4	35.5	45.0	59.6	48.8
Tourists	13.0	14.7	12.0	3.8	11.8
Conference Participants	25.3	32.5	23.3	17.6	26.7
Other	12.4	15.3	14.9	14.8	3.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Advance Reservations	69.9%	74.8%	83.5%	84.0%	73.0%
Composition of Advance Reservations					
Direct	40.5%	47.5%	35.3%	37.6%	31.4%
Reservation Systems	30.1	24.8	39.1	32.4	30.4
Travel Agents & Tour Operators	15.1	8.3	17.0	16.4	23.8
Other	14.3	18.7	9.6	13.6	14.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Ratio of Travel Agent Commissions to Room Sales	0.6%	0.8%	1.4%	0.9%	1.2%

*Based on those supplying detail. All figures are means.

guests at 21.6 percent in 1984.

Business travelers continue to represent the largest share of guests in Texas hotels in 1984. The 44.4 percent figure is almost identical to last year's level and slightly higher than the 40 percent national average. The largest percentage of travelers made their advanced reservations directly to the hotel.

The three-year breakdown of method of payment for those properties reporting detail is shown below. The largest change over the last three years has occurred in the "All other credit" category. This trend indicates a growth in the number of guests who are being billed or have their companies billed for their stay.

The Texas lodging industry dollar

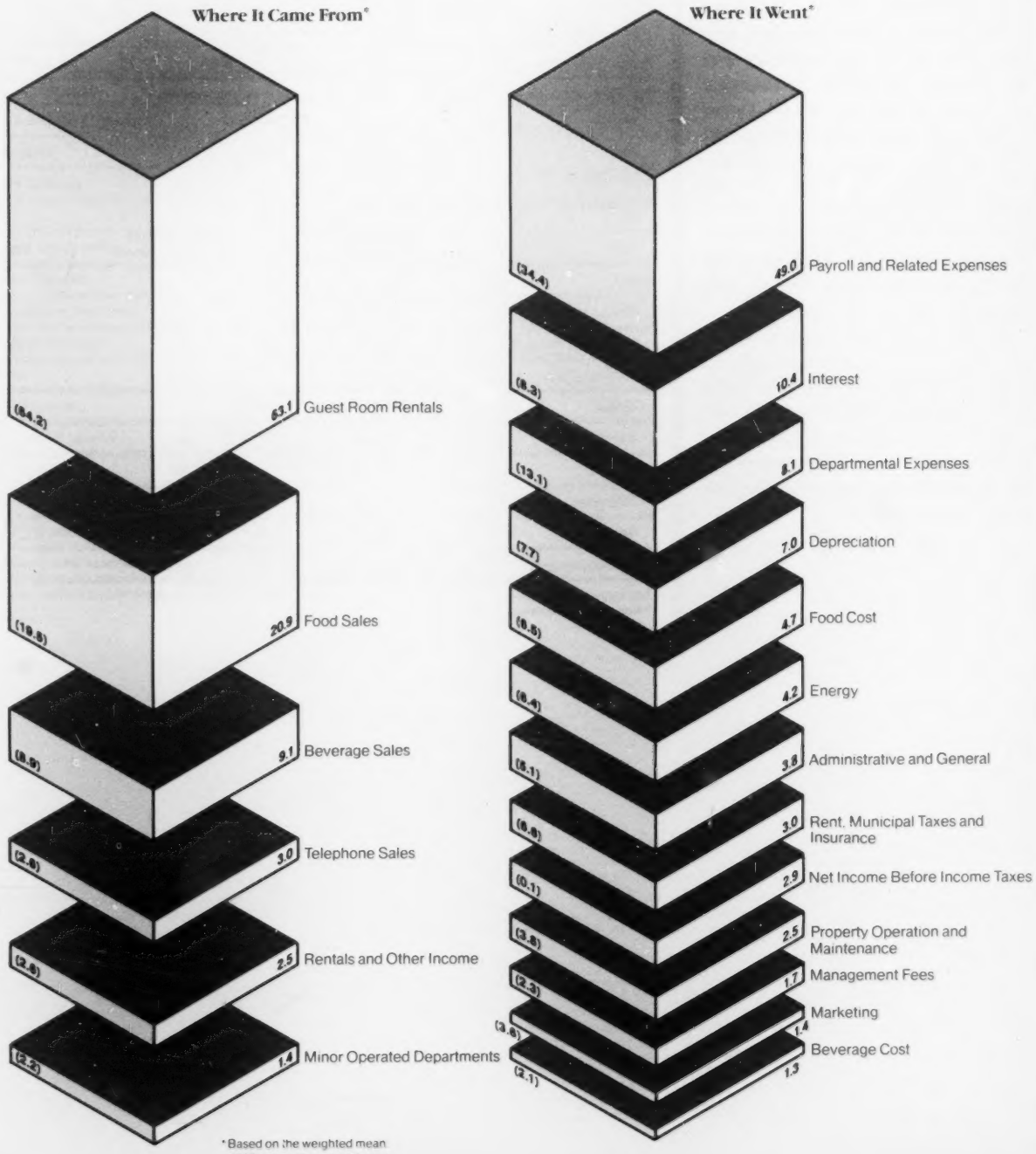
The source and distribution of the 1984 Texas lodging industry dollar (compared with the previous year) are shown in Chart 4, based on the weighted means of the responses to the questionnaires. As the chart shows, the largest growth occurred in food and beverage sales which rose a combined 1.6 percent over last year's percentages. These were offset by decreases in guest room rentals and minor operated departments, with percentages falling 1.1 and 0.8 percent respectively, compared to last year.

On the expenditure side, the allocation of revenue varied in every department. The greatest cost increases in the reporting properties were in payroll and related expenses and interest. In addition, net income rose sharply among the properties participating in this year's study. These sharp rises were offset by a fairly proportional drop in other expenses.

	1984	1983	1982
Method of payment:			
Cash	27.6%	27.7%	31.6%
Credit Card	50.7	53.7	50.5
Travel agents & tour operator	2.6	2.7	4.9
All other credit	19.1	15.9	13.0
Total	100.0%	100.0%	100.0%

Chart 4

The Texas Lodging Industry Dollar 1984



*Based on the weighted mean
1983 amounts in parentheses

Occupancy and average rate

The three most commonly used measures of trends in the lodging industry, the percentages of occupancy and double occupancy and the average room rate (room sales per occupied room), are shown in Exhibit 4 along with other selected measures. For comparison purposes, Texas and U.S. results are presented. As shown, all three measures are just below the national average, consistent with the Southwestern region of the country.

The exhibit also shows room rates per guest and the productivity index, which is a measure of the relationship between sales and payroll costs. This was strong for Texas indicating an efficient sales return on payroll expenditures.

Exhibit 5 compares occupancy, double occupancy and average rate for selected categories. Small properties and those located along highways reported the highest occupancy rates of any of the analyzed segments. Average room rate was highest for the larger properties and center city locations.

Exhibit 4
Occupancy and Average Rate*

	1984			1983		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Average Room Rate	$35.29	$46.61	$64.00	$33.38	$37.33	$46.72
Average Room Rate (Per Guest)	$39.07	$42.92	$50.55	$26.66	$31.48	$39.39
Occupancy	50.0%	64.5%	80.5%	55.8%	65.2%	78.5%
Double Occupancy	29.8%	40.0%	49.7%	24.6%	38.1%	60.8%
Productivity Index	2.29	3.15	5.65	2.72	3.74	4.87

*All figures are medians and quartiles and do not necessarily add to the totals shown.

Exhibit 5
Occupancy—By Selected Criteria*

	Percentage of Occupancy	Percentage of Double Occupancy	Average Room Rate
Size			
Under 150 Rooms	84.6%	**	$35.42
150–299 Rooms	60.2	39.5	47.40
300 and Over	50.4	40.0	61.03
Location			
Center City	50.2	46.9	65.54
Resort	61.3	**	49.53
Suburban	51.8	**	52.35
Highway	53.3	**	50.34
All Establishments	64.5%	40.0%	$46.61

*All figures are medians.
**Insufficient response.

Exhibit 6

Rooms Department Income and Expenses
Median Amounts Per Room and Ratios to Room Sales*

	All Establishments	Size		
		Under 150 Rooms	150–299 Rooms	300 Rooms and Over
Revenue				
Room Sales	$11,068	$11,034	$10,136	$11,412
Allowances	70	65	125	75
Net Revenue	$10,821	$11,001	$10,097	$11,195
Departmental Expenses				
Payroll & Related Expenses	$ 1,789	$ 1,542	$ 1,655	$ 2,184
Commissions	60	17	61	132
Contract Cleaning	22	19	28	14
Linen	100	153	109	82
Laundry & Dry Cleaning	67	29	37	185
Operating Supplies	204	182	212	224
Other Operating Expenses	128	92	87	164
Reservation Expense	109	111	95	106
Uniforms	18	15	19	30
Total Expense	2,368	1,924	2,490	3,087
Net Departmental Income	$ 8,108	$ 8,970	$ 7,898	$ 7,573
Ratio to Total Sales				
Net Revenue	68.1%	96.0%	69.5%	55.3%
Payroll & Related Expenses	11.3	13.8	11.8	10.1
Net Departmental Income	50.2%	76.3%	50.0%	43.6%

*All figures are medians and do not necessarily add to totals shown.

Rooms department

In Exhibit 6, rooms department income and expenses are shown as both amounts per room and ratio to total sales for the entire sample and for three size categories. Net room revenue for Texas properties increased to $10,821 in 1984. This rise is reflected in the strong department income as a ratio to total sales of 50.2 percent compared to the national average of 45.8 percent. The growth may be attributed to the significant rise in the average room rate reported over the previous year.

Exhibit 7 presents rooms department income and expenses as ratios to room sales using medians and quartiles. Generally, this year's revenue and expense items are slightly higher than the levels reported a year ago.

Shown in Exhibit 8 is the composition of sales for the selected categories based on the arithmetic mean in order to establish absolute values. In each category, the largest portion of revenue is generated in the rooms department. The size categories show the greatest disparity in revenue, particularly in the food and beverage area. The location categories are fairly consistent in the way that their revenue is generated.

Exhibit 7
Rooms Department Income and Expenses Ratios to Room Sales*

	Ratios to Room Sales		
	Lower Quartile	Median	Upper Quartile
Revenue			
Room Sales	100.0%	100.4%	100.9%
Allowances	(0.5)	(0.7)	(2.0)
Net Revenue	100.0%	100.0%	100.0%
Departmental Expenses			
Payroll & Related Expenses	14.6%	16.8%	19.1%
Commissions	0.2	0.6	1.3
Contract Cleaning	0.1	0.2	0.6
Linen	0.6	0.9	1.3
Laundry & Dry Cleaning	0.2	0.6	1.8
Operating Supplies	1.5	1.8	2.4
Other Operating Expenses	0.3	1.3	2.6
Reservation Expense	0.7	1.0	1.6
Uniforms	0.1	0.2	0.3
Total Expense	18.0%	23.4%	27.0%
Net Departmental Income	72.5%	76.2%	81.3%

*All figures are medians and do not necessarily add to totals shown.

Exhibit 8
Composition of Sales*

		Size			Location			
	All Establishments	Under 150 Rooms	150–299 Rooms	300 Rooms and Over	Center City	Highway	Airport	Suburban
Rooms	73.5%	90.6%	71.2%	59.1%	63.6%	70.0%	54.8%	58.5%
Food	15.4	4.4	16.7	25.1	23.1	18.4	27.2	24.0
Beverage	6.0	0.7	7.2	10.2	7.6	6.0	12.8	13.7
Telephone	3.1	3.1	3.2	3.0	2.8	3.4	2.8	2.9
Minor Operated Departments	0.8	0.2	0.7	1.4	1.5	1.0	1.7	0.2
Rentals & Other Income	1.2	1.0	1.0	1.2	1.4	1.2	0.7	0.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.

Exhibit 9
Restaurant Operations—By Selected Criteria*

	Median Ratios to Total Food and Beverage Sales	
	1984	1983
Sales		
Food	72.2%	69.9%
Beverage	28.2	30.6
Total	100.0%	100.0%
Cost of Sales		
Cost of Food Sold	35.3	34.8
Cost of Beverages Sold	23.0	21.6
Total Cost of Sales	32.0	30.4
Gross Profit	68.0	69.1
Public Room Sales	2.4	2.4
Other Income	0.9	0.9
Gross Profit & Other Income	72.5	71.6
Departmental Expenses		
Payroll & Related Expenses	47.1	40.4
China, Glassware, Silver & Linen	1.5	1.5
Contract Cleaning	0.3	0.2
Kitchen Fuel	0.2	0.2
Laundry & Dry Cleaning	0.9	0.8
Licenses	0.2	0.2
Music & Entertainment	2.9	2.1
Operating Supplies	2.8	2.7
Other Operating Expenses	1.8	1.3
Uniforms	0.4	0.5
All Other Expenses	1.1	2.6
Total	60.0%	52.5%
Departmental Income	12.6%	18.9%
Productivity Index	2.12	2.38

*All figures are medians and do not necessarily add to totals shown.

Restaurant operations

The analysis of the food and beverage department is presented in Exhibits 9 and 10. The food and beverage ratios are presented in Exhibit 9 for both 1983 and 1984. Statistics of sales per room and per seat, average receipt per cover and other measurements are presented in Exhibit 10.

Food sales as a ratio to total food and beverage sales rose to 72.2 percent in 1984 from 69.9 percent in 1983. Simultaneously, the cost of food also rose, resulting in a gross profit of 68 percent, below the 69.1 percent level of 1983. As a result, department income was only 12.6 percent in 1984.

Exhibit 10 (pp. 22-23) presents an extensive analysis of the key performance measures relating to food and beverage departments. Sales per room, sales per seat, average check and other statistics are presented by location and size. Operators may find this exhibit useful in comparing their operations by the corresponding criteria.

Exhibit 10
Food and Beverage Statistics—By Selected Criteria*

	All Establishments	Size			Location			
		Under 150 Rooms	150–299 Rooms	300 Rooms and Over	Center City	Highway	Airport	Suburban
Food Sales—By Facility								
Amount Per Available Room								
Dining Room	$2,224	**	$2,132	$2,402	$2,317	$2,025	$2,906	$2,046
Room Service	443	**	173	467	457	734	270	390
Banquet	1,585	**	698	2,532	2,452	786	2,679	2,172
Bar/Lounge	74	**	100	63	59	**	75	87
Total	$3,550	$2,133	$2,722	$5,117	$4,291	$3,320	$6,160	$3,914
Ratio to Total Food Sales								
Dining Room	54.5%	69.3%	71.8%	48.2%	54.7%	55.4%	57.3%	43.8%
Room Service	8.3	**	6.8	8.9	8.5	11.1	6.8	7.9
Banquet	34.0	30.8	22.5	41.3	36.1	31.4	28.9	45.3
Bar/Lounge	1.4	**	3.9	1.0	0.9	11.7	3.9	1.7
Amount Per Seat								
Dining Room	$4,135	**	$4,361	$4,140	$2,711	$4,593	$3,920	**
Banquet	701	**	455	968	701	**	837	**
Bar/Lounge	488	**	1,454	**	488	**	**	**
Total	$1,468	**	$1,118	$1,664	$1,663	$2,033	$1,133	**
Average Check								
Dining Room	$ 7.69	$ 6.20	$ 5.00	$ 8.49	$ 8.74	$ 5.83	$ 8.69	**
Room Service	7.50	**	6.21	7.80	7.80	**	6.98	**
Banquet	12.51	**	10.61	13.07	13.07	**	13.76	**
Total	$ 8.51	**	$ 8.03	$ 9.94	$ 9.20	$ 6.39	$10.18	**
Covers Served Per Seat								
Dining Room	$ 618	**	$1,028	$ 538	$ 464	**	**	**
Banquet	85	**	**	85	**	**	**	**

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit 10
(Continued)

	All Establishments	Size			Location			
		Under 150 Rooms	150–299 Rooms	300 Rooms and Over	Center City	Highway	Airport	Suburban
Room Service Sales								
Per Occupied Room								
Food	$ 2.25	**	$ 1.11	$ 2.37	$ 2.51	$ 2.65	$ 1.39	$ 1.73
Beverage	0.49	**	0.76	0.49	0.63	0.37	0.45	0.29
Total	$ 2.44	**	$ 0.90	$ 2.93	$ 2.97	$ 2.27	$ 1.59	$ 2.03
Per Guest								
Food	$ 1.82	**	**	$ 1.84	$ 2.10	**	**	**
Beverage	0.44	**	**	0.44	0.56	**	**	**
Total	$ 2.22	**	**	$ 2.25	$ 2.67	**	**	**
Beverage Sales—By Facility								
Amount Per Available Room								
Dining Room	$ 326	**	$ 485	$ 317	$ 584	$ 144	$ 401	$ 280
Room Service	94	**	189	85	122	104	87	72
Banquet	461	**	91	485	666	298	591	368
Bar/Lounge	1,004	**	989	1,143	979	**	2,139	2,167
Total	$1,626	**	$1,078	$2,322	$1,280	$1,474	$2,819	$1,995
Ratio to Beverage Sales								
Dining Room	18.8%	**	18.3%	19.3%	27.8%	8.8%	12.1%	10.4%
Room Service	4.8	**	6.7	4.5	6.3	4.1	2.7	1.9
Banquet	20.8	**	8.0	24.1	26.5	21.5	15.6	17.8
Bar/Lounge	66.5%	**	92.0%	57.8%	46.6%	72.7%	77.3%	69.2%
Ratio to Food Sales								
Dining Room	14.3%	**	15.8%	14.1%	19.8%	10.4%	12.9%	13.3%
Room Service	21.8	**	19.7	22.2	21.7	14.1	22.8	18.3
Banquet	22.2	**	12.3	23.1	23.1	23.2	20.5	19.8
Total (Including Bar/Lounge)	39.2%	**	43.8%	38.6%	33.8%	47.5%	44.7%	60.6%
Amount Per Seat								
Dining Room	$ 536	**	**	$ 536	$ 536	**	**	**
Banquet	670	**	**	792	459	**	793	**
Bar/Lounge	229	**	**	255	256	**	**	**
Total	$2,986	**	$1,904	$5,266	$4,144	**	$4,314	**

Minor operated departments

Minor operated departments and other income, expressed as median amounts per room and ratio to total sales, are displayed in Exhibit 11. Those properties over 300 rooms in size seemed to have generated the most income with relation to total sales in the rentals and other income department. Noting from the exhibit, as the size of the property decreased, total sales generally seem to follow the same pattern with the exception of the telephone department. It seems that the smaller establishments are more successful at keeping an upper hand on these expenses.

Exhibit 11
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Sales*

	All Establishments	Size		
		Under 150 Rooms	150–299 Rooms	300 Rooms and Over
Telephone				
Sales	$475	$354	$471	$599
Cost of Sales				
Cost of Calls	329	329	362	316
Equipment Rental	74	48	59	100
Total	$379	$329	$451	$453
Payroll & Related Expenses	175	**	150	188
All Other Expenses	30	**	28	25
Total Costs & Expenses	$473	$336	$473	$697
Net Departmental Income or (Loss)	(6)	16	11	(97)
Ratio to Total Sales				
Sales	3.0%	3.2%	3.0%	2.9%
Cost of Sales	2.0	2.8	2.3	1.6
Payroll & Related Expenses	0.8	**	0.8	0.9
Minor Operated Departments				
Sales	$235	**	$290	$141
Cost of Sales	135	**	152	135
Payroll & Related Expenses	299	**	346	299
Other Expenses	32	**	38	32
Total Costs & Expenses	$220	**	$152	$430
Net Departmental Income	$ 35	**	$ 59	$ 35
Ratio to Total Sales				
Sales	1.3%	**	1.3%	1.3%
Cost of Sales	0.6	**	0.6	0.6
Payroll & Related Expenses	1.3	**	1.0	1.4
Rentals & Other Income				
Space Rentals	$ 57	$155	$ 60	$ 50
Concessions	21	40	16	25
Commissions	21	21	21	21
Other	78	41	71	103
Total Rentals & Other Income	$115	$ 39	$118	$181
Ratio to Total Sales	0.7%	0.4%	0.6%	0.9%

*Based on those supplying detail. All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit 12
Staffing Levels and Employee Productivity—All Establishments*

	Number of Employees Per 100 Available Rooms			Number of Employees Per 100 Occupied Rooms		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Staffing Levels (Full-Time Equivalent Employees)						
Rooms	35.0	45.0	62.8	25.6	31.3	40.9
Food & Beverage	38.0	93.0	144.0	23.9	50.7	64.9
Telephone	3.3	5.0	6.0	1.8	2.2	3.3
Minor Operated Departments	1.0	6.0	8.0	1.1	3.1	3.8
Administrative & General	6.0	19.0	25.8	4.4	8.3	14.5
Marketing—Sales	3.0	6.0	10.0	1.9	3.5	5.5
Marketing—Other	1.5	3.5	6.3	0.5	1.9	3.4
Property Operation & Maintenance	3.0	6.0	10.0	2.8	4.1	5.8
Personnel	2.0	3.0	3.0	1.0	1.2	1.7
House Laundry	3.0	5.0	7.8	2.2	3.8	5.2
Other	1.3	6.0	19.0	0.6	2.6	6.0
Total Employment—Full-Time Equivalent Employees	44.3	95.5	244.3	47.2	63.8	119.2
Employee Productivity—Sales Per Full-Time Employee						
Rooms	$36,426	$54,132	$69,650			
Food & Beverage	20,948	24,966	30,832			
Telephone	31,073	38,928	64,164			
Minor Departments	21,854	37,850	43,006			
Total Sales Per Employee	$26,363	$32,280	$39,915			

*Based on those supplying detail. All figures are medians or quartiles and do not necessarily add to totals shown.

Exhibit 13
Payroll and Related Expenses—Cost Per Available Room*

		Size		
	All Establishments	Under 150 Rooms	150–299 Rooms	300 Rooms and Over
Rooms	$1,789	$1,542	$1,655	$2,184
Food & Beverage	2,309	1,186	1,608	3,489
Telephone	175	**	150	185
Minor Operated Departments	299	**	346	299
Administrative & General	1,097	559	741	1,276
Marketing	568	222	311	643
Property Operation & Maintenance	521	418	493	559
House Laundry	180	**	100	207
Other	136	**	**	136
Total Cost Per Available Room	$4,842	$1,795	$4,186	$8,885

*All figures are medians or quartiles and do not necessarily add to totals shown.
**Insufficient response.

Staffing levels

Exhibit 12 presents an analysis of the staffing levels and employee productivity per 100 available rooms and per 100 occupied rooms calculated by the lower quartile, median and upper quartile. It is not surprising that the majority of employees are staffed in the rooms and food and beverage departments since these two areas generate the bulk of the income. The median number of persons per 100 available rooms for the rooms department is 45 and 93 in food and beverage. Based on 100 occupied rooms, 31.3 can be attributed for rooms and 50.7 are accounted for by the food and beverage department.

Payroll and related expenses

The bulk of payroll and related expenses as a cost per available room is allocated to the rooms and food and beverage departments. This is not uncommon, nor is it surprising, based on the fact that the majority of employees are assigned to these respective departments. A detailed illustration broken down by property size is presented in Exhibit 13.

Exhibit 14 depicts the payroll and related expenses for the various departments for the three property size categories, and presents it as a ratio to total sales. Based on the median mounts for all establishments reporting, the costs associated with food and beverage have the highest percentage of 13.3 percent and the rooms expenses fall second in line with costs of 11.3 percent. Total cost as a ratio to total sales apparently increases with the increasing size of the reporting properties.

Undistributed operating expenses

An analysis of undistributed operating expenses by selected criteria, analyzed by amount per room, ratio to room sales, and ratio to total sales are illustrated in Exhibit 15 (p. 27). For all properties reporting, administrative and general expenses had the highest cost per room of $1,716 followed by energy costs amounting to $1,033. Falling closely behind these are property operation and maintenance and marketing with costs totaling $1,022 and $966 respectively. Additionally, a direct correlation can be recognized between the increasing costs of undistributed operating expenses and property size. Center city hotels seemed to incur the highest costs in all departments in comparison with the other locations.

Chart 5 (p. 28) presents a four-year comparison of undistributed operating expenses as median amounts per available room for participating properties in the state of Texas.

Exhibit 14
Payroll and Related Expenses—As A Ratio to Total Sales*

	All Establishments	Size		
		Under 150 Rooms	150–299 Rooms	300 Rooms and Over
Rooms	11.3%	13.8%	11.8%	10.1%
Food & Beverage	13.3	10.7	10.0	16.3
Telephone	0.8	0.5	0.8	0.9
Minor Operated Departments	1.3	**	1.0	1.3
Administrative & General	5.4	5.6	5.0	7.0
Marketing	2.6	1.9	1.8	3.3
Property Operation & Maintenance	2.9	2.3	2.7	3.1
House Laundry	1.0	**	0.8	1.1
Other	0.7	**	**	0.7
Total Cost As A Ratio to Total Sales	31.8%	16.2%	30.9%	42.5%

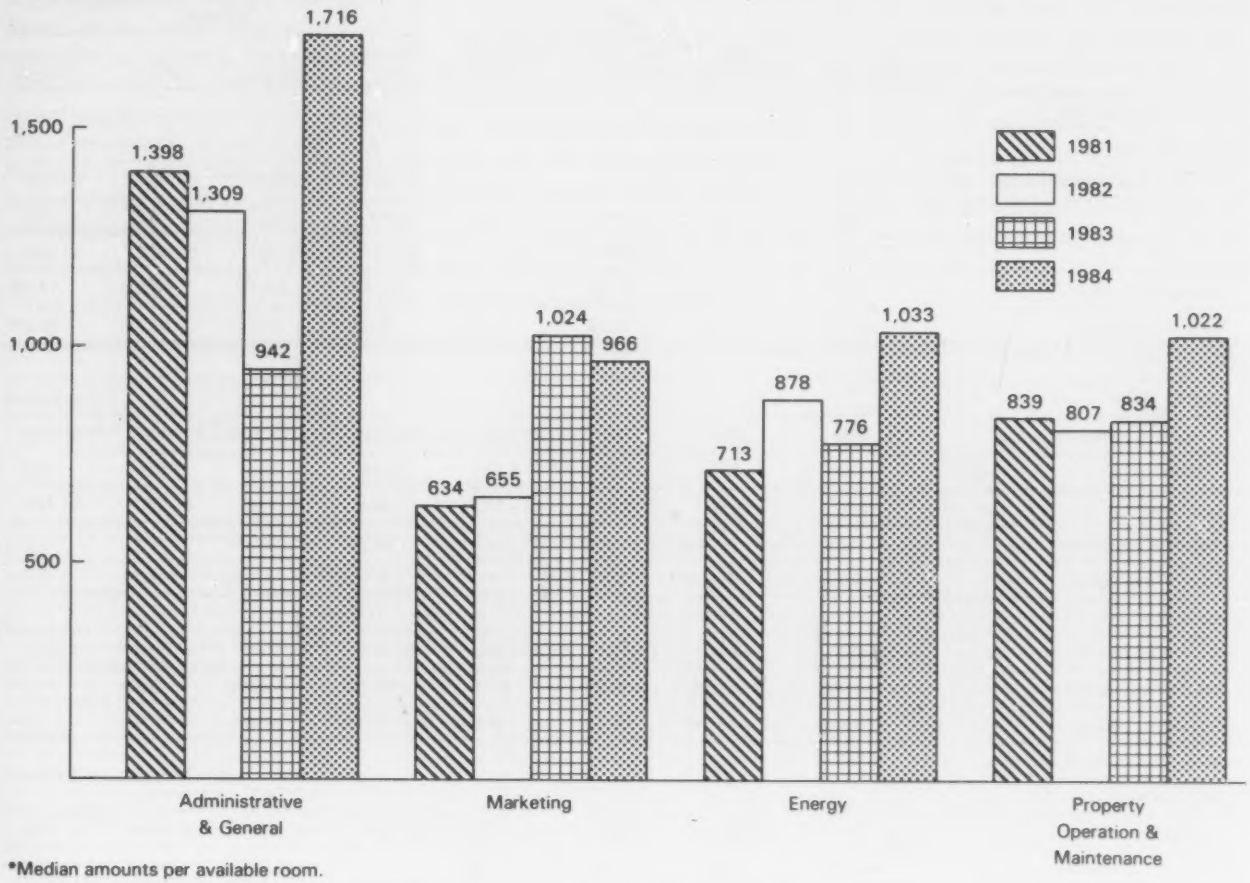
*All figures are medians or quartiles and do not necessarily add to totals shown.
**Insufficient response.

Exhibit 15
Analysis of Undistributed Operating Expenses—By Selected Criteria*

		Size			Location			
	All Establishments	Under 150 Rooms	150–299 Rooms	300 Rooms and Over	Center City	Highway	Airport	Suburban
Administrative & General								
Cost Per Room								
Payroll & Related Expenses	$1,104	$642	$ 741	$1,309	$1,505	$1,028	$ 823	$ 985
Other	899	454	1,011	1,172	1,480	1,153	1,080	915
Total	$1,716	$511	$1,608	$2,567	$3,176	$2,137	$1,982	$1,820
Ratio to Room Sales	16.0%	4.8%	15.8%	20.3%	22.6%	16.7%	22.0%	17.6%
Ratio to Total Sales	10.0%	4.2%	12.2%	12.2%	13.3%	9.6%	12.1%	10.3%
Marketing								
Cost Per Room								
Payroll & Related Expenses	$ 494	$290	$ 341	$ 541	$ 728	$ 431	$ 541	$ 479
Other	715	379	622	1,131	1,553	855	1,029	722
Total	$ 966	$379	$ 724	$1,726	$2,396	$1,134	$1,570	$1,266
Ratio to Room Sales	9.8%	3.6%	8.6%	14.7%	14.4%	9.9%	14.4%	10.2%
Ratio to Total Sales	6.2%	3.3%	5.6%	7.7%	9.7%	6.1%	8.0%	5.6%
Energy Costs								
Cost Per Room	$1,033	$556	$1,003	$1,289	$1,295	$1,070	$1,178	$1,031
Ratio to Room Sales	8.3%	5.4%	9.9%	11.2%	12.3%	9.5%	13.3%	11.2%
Ratio to Total Sales	6.0%	5.2%	6.5%	6.6%	7.0%	6.7%	7.8%	7.0%
Property Operation & Maintenance								
Cost Per Room								
Payroll	$ 521	$418	$ 493	$ 559	$ 638	$ 426	$ 491	$ 496
Other	632	552	547	724	662	503	322	672
Total	$1,022	$691	$ 929	$1,382	$1,359	$ 965	$ 637	$1,221
Ratio to Room Sales	8.9%	5.7%	7.8%	11.4%	10.4%	7.6%	12.6%	9.4%
Ratio to Total Sales	6.0%	5.3%	5.6%	6.6%	6.1%	5.5%	6.1%	5.3%

*All figures are medians.

Chart 5
Undistributed Operating Expenses
Four-Year Comparison*



*Median amounts per available room.

Exhibit 16 illustrates total energy expenses for participating Texas properties as amounts per available room and costs per occupied day by the various sources. Electricity accounted for the bulk of the total energy costs accounting for $780. The remaining elements were significantly lower with fuel being the next highest at $134. Total energy expenses for hotels in Texas is compared with the cost for the total United States.

Balance sheet ratios

Exhibit 17 presents the most commonly used balance sheet ratios for 1984 along with the comparison statistics of 1983. Accounts receivable dollars per room increased 23.8 percent in 1984 to $1,072 from 1983 amount of $866, or 37.5 percent as a ratio to total sales.

Food inventory based on amount per room decreased this year while the annual turnover remained constant at 27. Conversely, beverage inventory increased 19.7 percent in 1984 and the annual turnover rate decreased a sharp 50 percent.

Exhibit 16
Energy Expenses—Amounts Per Available Room and Costs Per Occupied Room Per Day*

	Amounts Per Available Room			Cost Per Occupied Room Per Day		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Electricity	$517	$ 780	$ 889	$1.78	$3.34	$4.81
Fuel	91	134	217	0.34	0.59	0.97
Steam	42	101	648	0.15	0.51	3.74
Water	68	98	139	0.30	0.44	0.65
Total Energy Expenses	$657	$1,033	$1,291	$2.24	$4.51	$6.43
Total United States	$982	$1,360	$1,925	$3.67	$4.85	$ 6.59

*Based on those hotels supplying detail. All figures are medians and quartiles and do not necessarily add to totals shown

Exhibit 17
Balance Sheet Ratios—1984 Compared With 1983*

	1984	1983
Current Position	$ 1.89	$0.73
Accounts Receivable		
Amount Per Room	$1072	$866
Ratio to Total Sales	5.5%	4.0%
Food Inventory		
Amount Per Room	$ 70	$ 75
Annual Turnover	27	27
Beverage Inventory		
Amount Per Room	$ 79	$ 66
Annual Turnover	4	8

*All figures are medians. Accounts receivable and inventory figures are for end of year.

Fixed charges

Median total fixed charges for all properties supplying data in 1984 were $3,476, representing an increase over 1983. Interest expenses were responsible for the larger part of these costs as they made up 66.9 percent of the total. Also causing a chunk of the total were depreciation and amortization which accounted for 39.8 percent. These charges are displayed by the various criteria of property size and property location. A detailed explanation of these charges and their distribution can be seen in Exhibit 18.

Summary

In Exhibits 19 and 20 (pp. 31-32), a summary of the 1984 statement of income and expenses calculated as amounts per available room and ratio to total sales is analyzed. These exhibits prove to be beneficial for property operators as it allows them to compare the performance of their own establishments against those that are similar in nature. These tables are broken down on the various criteria such as the size of the property as well as the location in which they are situated. By doing this, operators can better distinguish the evaluation of the numbers according to their specific property. These statistics are not meant to be used as standards or goals, but rather to be used as as guidelines for Texas lodging properties.

Exhibit 18
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales—By Selected Criteria*

		Size			Location			
	All Establishments	Under 150 Rooms	150–299 Rooms	300 Rooms and Over	Center City	Highway	Airport	Suburban
Amount Per Room								
Rent	$ 205	$ 72	$ 264	$ 114	$ 366	$ 87	$ 189	$ 204
Property Taxes	519	294	404	842	669	777	605	695
Property Insurance	119	68	144	112	122	132	108	123
Interest Expense	2,325	1,379	2,548	5,216	4,654	3,812	2,581	6,901
Depreciation & Amortization	1,383	948	2,039	2,662	1,700	2,861	2,898	2,714
Total Fixed Charges	$3,476	$2,678	$5,121	$8,246	$6,815	$8,246	$5,675	$10,155
Ratio to Total Sales	29.8%	24.9%	36.6%	35.5%	51.5%	39.2%	36.6%	53.8%

*Based on those supplying detail. All figures are medians.

Exhibit 19

Summary Statement of Income and Expenses

Amounts Per Available Room*

	All Establishments	Size			Location			
		Under 150 Rooms	150–299 Rooms	300 Rooms and Over	Center City	Highway	Airport	Suburban
Rooms								
Net Revenue	$11,068	$11,034	$10,136	$11,412	$11,623	$ 9,309	$11,969	$10,794
Departmental Expenses								
Payroll & Related Expenses	1,789	1,542	1,655	2,184	2,551	1,535	1,921	1,886
Other	671	557	719	903	901	726	821	759
Total	2,368	1,924	2,490	3,086	3,649	2,236	3,041	2,645
Departmental Income	8,108	8,970	7,898	7,573	7,409	7,175	9,621	8,081
Food & Beverage Sales								
Food	3,639	2,966	2,722	5,267	4,291	3,914	3,320	6,160
Beverage	1,763	**	1,079	2,366	1,260	1,995	1,474	2,819
Total	4,893	2,966	3,831	8,496	5,463	5,739	3,798	9,323
Cost of Sales								
Food	1,258	1,031	907	1,782	1,515	1,265	1,144	2,104
Beverage	345	**	258	489	330	466	272	580
Total	1,582	1,031	1,134	2,622	1,811	1,715	1,275	2,837
Gross Profit	3,339	1,935	2,523	5,760	3,775	4,025	2,527	6,423
Public Room Sales	111	58	83	169	48	240	121	175
Other Income	73	**	15	90	72	42	94	73
Gross Profit & Other Income	3,638	2,486	2,542	6,002	3,956	4,309	3,510	6,784
Departmental Expenses								
Payroll & Related Expenses	2,309	1,186	1,608	2,925	3,927	2,503	1,922	4,207
Other	845	318	329	520	906	668	438	1,265
Total	3,003	1,387	2,242	3,489	4,836	3,319	2,357	5,379
Departmental Income	509	722	388	912	246	1,343	392	1,188
Minor Operated Departments & Other Income (Net)	35	**	59	35	70	35	(29)	59
Telephone Departmental Income	(6)	16	11	(97)	(111)	(11)	(23)	(20)
Rentals & Other Income	115	39	118	181	172	121	164	184
Gross Income	8,849	9,038	8,316	8,893	7,659	8,561	10,267	9,309
Undistributed Operating Expenses								
Administrative & General Expenses								
Payroll & Related Expenses	1,104	642	741	1,309	1,505	985	1,028	823
Other	899	455	1,011	1,172	1,480	915	1,152	1,080
Total	1,716	511	1,608	2,567	3,176	1,820	2,137	1,982
Marketing	966	379	724	1,726	2,396	1,266	1,134	1,570
Energy Costs	1,033	556	1,003	1,289	1,295	1,031	1,070	1,178
Property Operation & Maintenance	1,022	691	929	1,382	1,359	1,221	965	1,177
Total Undistributed Expenses	4,692	2,255	4,118	6,997	9,175	5,754	5,215	6,192
Income Before Management Fees	4,753	6,386	4,233	1,973	1,213	3,982	4,019	2,118
Management Fees	561	555	433	642	642	518	593	387
Income Before Fixed Charges	4,475	5,826	4,255	1,514	970	3,982	3,809	1,753
Total Fixed Charges	3,476	2,678	5,121	8,246	6,815	10,155	8,246	5,675
Income Before Income Tax	$ (118)	$ 3,403	$ (1,766)	$ (4,195)	$ (5,608)	$(5,499)	$ (4,195)	$ (2,253)

*All amounts are medians and do not necessarily add to totals shown. All ratios are based on total sales except those of the rooms and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.
**Insufficient response.

Exhibit 20

Summary Statement of Income and Expenses Ratios to Total Sales*

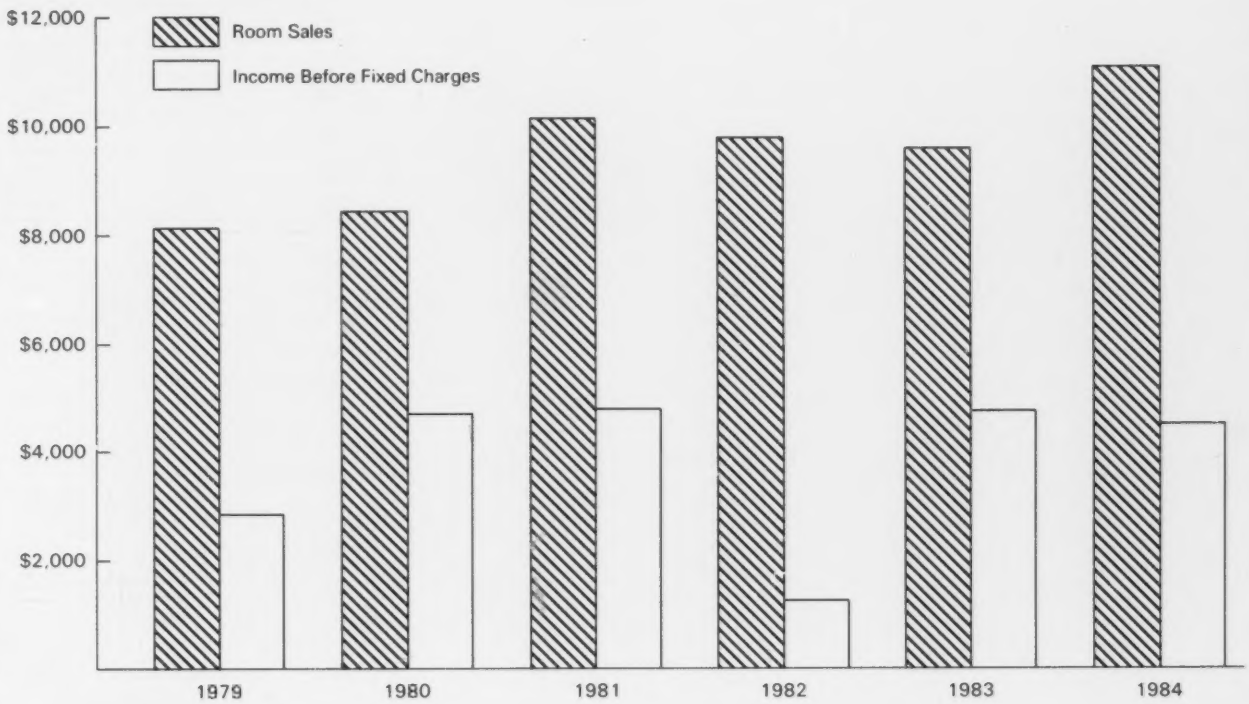
	All Establishments	Size			Location			
		Under 150 Rooms	150–299 Rooms	300 Rooms and Over	Center City	Highway	Airport	Suburban
Rooms								
Net Revenue	68.1%	96.0%	69.5%	55.3%	62.7%	66.2%	50.6%	59.1%
Departmental Expenses								
Payroll & Related Expenses	11.3	13.8	11.8	10.1	11.4	11.6	10.0	9.3
Other	4.9	4.8	5.2	4.7	5.3	5.5	4.8	3.9
Total	16.1	16.6	16.9	14.6	16.6	17.2	15.3	13.4
Departmental Income	50.2	76.3	50.0	43.6	44.3	49.3	39.8	45.5
Food & Beverage Sales								
Food	72.2	89.6	70.2	72.3	74.7	70.2	69.1	62.9
Beverage	28.2	**	30.5	27.9	25.3	32.2	30.9	37.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Sales								
Food	34.9	35.3	37.6	34.7	35.3	34.0	38.3	34.6
Beverage	23.0	**	**	22.7	22.9	23.8	22.4	24.2
Total	32.0	35.3	33.2	31.1	32.2	31.7	31.5	31.1
Gross Profit	68.0	64.7	66.8	68.9	67.9	68.3	68.5	68.9
Public Room Sales	2.4	2.8	2.0	2.6	1.0	3.0	3.6	3.4
Other Income	0.9	2.9	0.5	1.0	1.1	1.2	0.8	0.6
Gross Profit & Other Income	72.5	71.4	68.7	74.5	71.7	74.2	71.2	73.2
Departmental Expenses								
Payroll & Related Expenses	47.1	46.3	43.5	48.9	50.8	45.1	43.7	39.8
Other	12.3	10.4	11.6	13.1	12.6	12.6	11.1	9.5
Total	60.0	63.2	58.3	60.7	62.5	63.2	57.7	51.3
Departmental Income	12.6	14.5	13.5	11.3	6.4	12.2	15.5	23.5
Minor Operated Departments & Other Income (Net)	0.2	**	0.3	0.2	0.2	(0.3)	0.3	0.1
Telephone Departmental Income	N	1.6	0.1	(0.5)	(0.6)	N	(0.1)	0.1
Rentals & Other Income	0.7	0.4	0.6	0.9	0.8	0.9	0.7	0.9
Gross Income	58.5	76.8	57.0	46.8	44.6	57.7	45.8	54.0
Undistributed Operating Expenses								
Administrative & General Expenses								
Payroll & Related Expenses	5.4	5.7	5.0	6.9	7.0	5.2	5.0	5.4
Other	5.0	4.1	6.0	5.0	5.8	5.6	5.4	4.4
Total	10.0	4.2	12.2	12.2	13.3	9.6	12.1	10.3
Marketing	6.2	3.3	5.6	7.7	9.7	6.1	8.0	5.6
Energy Costs	6.0	5.2	6.5	6.6	7.0	6.7	7.8	7.0
Property Operation & Maintenance	6.0	5.3	5.6	6.6	6.1	5.5	6.1	5.3
Total Undistributed Expenses	28.7	20.1	30.1	35.3	40.1	30.0	30.5	27.8
Income Before Management Fees	28.2	56.7	28.0	12.3	10.3	27.6	10.4	26.6
Management Fees	4.0	4.8	4.0	3.0	3.2	3.4	3.0	3.0
Income Before Fixed Charges	25.7	51.9	25.7	9.4	9.5	23.9	8.8	25.5
Total Fixed Charges	29.8	24.9	36.6	35.5	51.5	39.2	36.6	53.8
Income Before Income Tax	(2.6)%	27.6%	(12.4)%	(30.2)%	(33.1)%	(20.8)%	(12.4)%	(20.3)%

*All amounts are medians and do not necessarily add to totals shown. All ratios are based on total sales except those of the rooms and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.
**Insufficient response.
N—Negligible.

Chart 6 shows a yearly comparison of income before fixed charges and room sales, both shown as amounts per room. The chart displays the ability of hotel management to convert additional room revenue into operating profit.

Following Exhibit 20 is information obtained from Laventhol & Horwath's monthly *Trend of Business in the Lodging Industry* publications for Dallas, Houston, San Antonio and the total United States. The graphs and tables show recent trends in occupancies and room rates for these three cities and the total United States (pages 34-35).

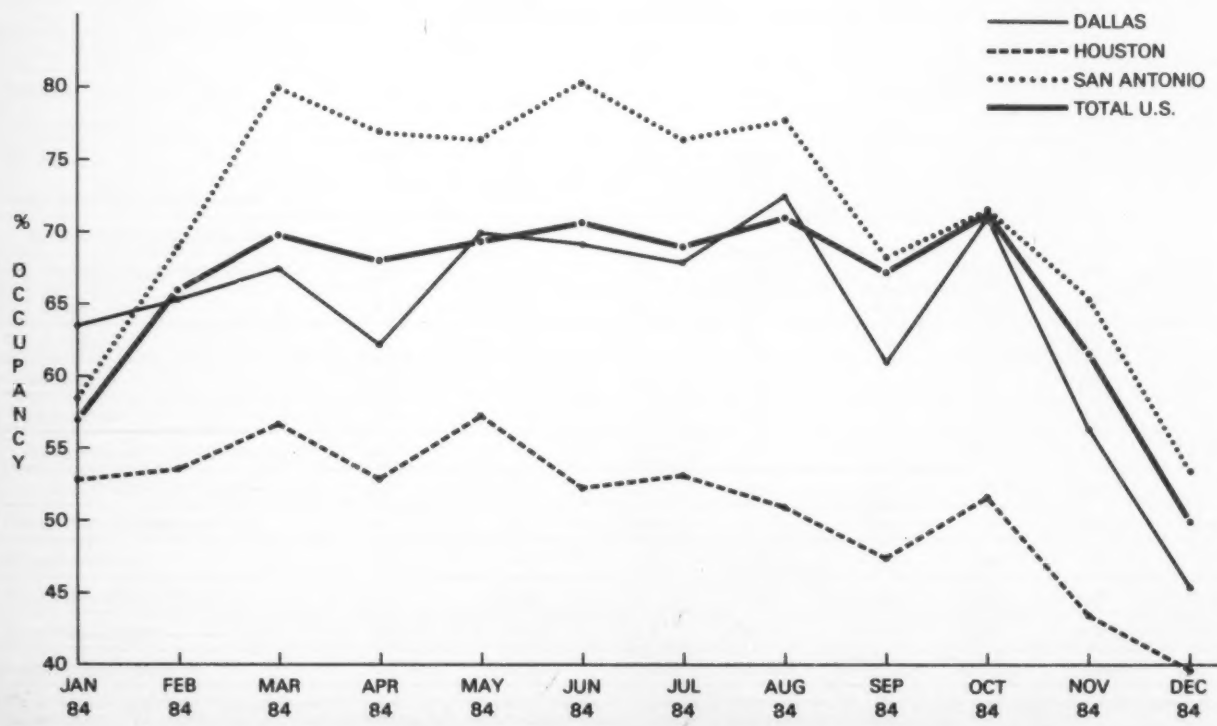
Chart 6
Income Before Fixed Charges Compared with Room Sales*



*Median amounts per available room.

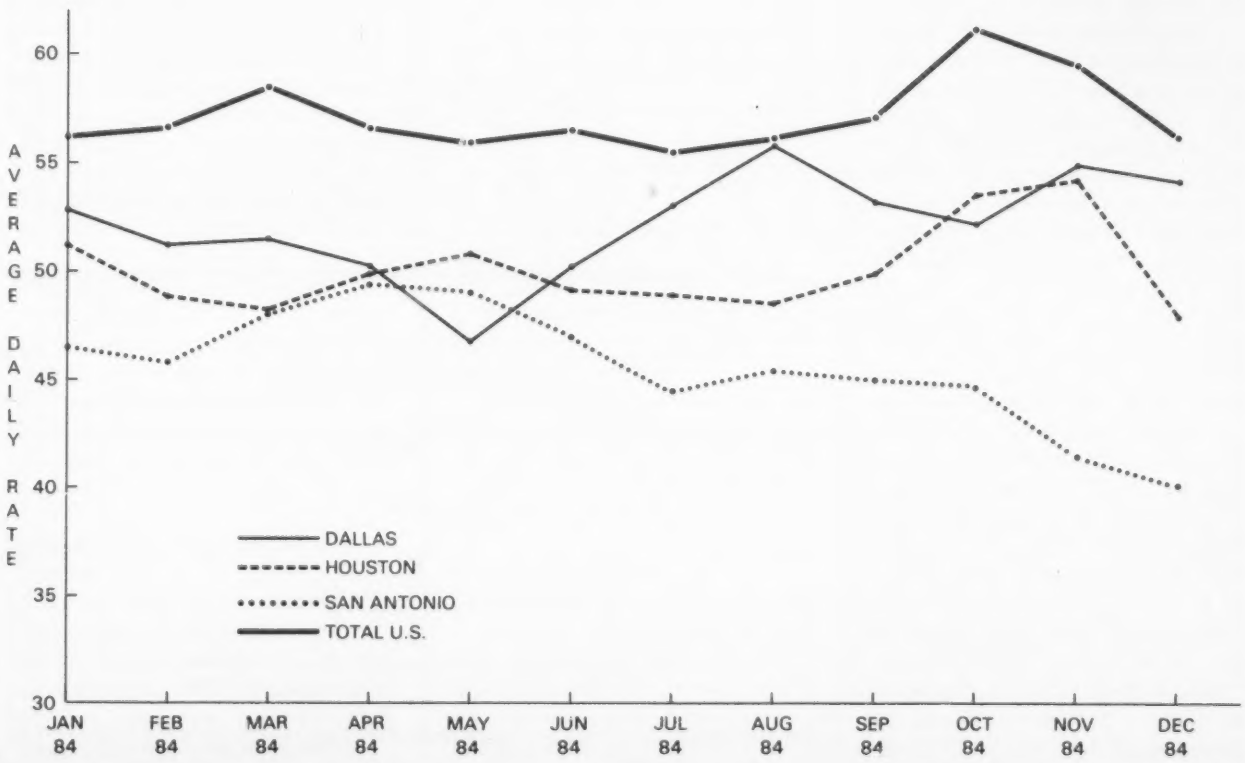
Monthly Occupancy Rate Trends

1984	Dallas	Houston	San Antonio	United States
Jan	63.4%	52.7%	58.4%	56.9%
Feb	65.2	53.5	68.8	65.9
Mar	67.4	56.6	79.8	69.6
Apr	62.1	52.8	76.8	67.9
May	69.7	51.2	76.3	69.2
Jun	69.0	52.2	80.2	70.6
Jul	67.8	53.1	76.3	68.8
Aug	72.4	50.9	77.6	70.8
Sep	60.9	47.4	68.2	67.1
Oct	70.9	51.6	71.6	71.4
Nov	56.3	43.3	65.3	61.5
Dec	45.4	39.5	53.4	49.8



Average Daily Rate Trends

1984	Dallas	Houston	San Antonio	United States
Jan	$52.70	$51.21	$46.45	$56.18
Feb	51.24	48.71	45.87	56.62
Mar	51.58	48.27	48.10	58.57
Apr	50.27	49.82	49.40	56.60
May	46.75	50.78	49.08	55.90
Jun	50.22	49.11	46.96	56.50
Jul	53.04	48.95	44.52	55.45
Aug	55.71	48.59	45.43	56.08
Sep	53.13	49.91	45.02	57.11
Oct	52.18	53.60	44.68	61.14
Nov	54.98	54.22	41.57	59.52
Dec	54.22	47.82	40.19	56.18



UNDERSTANDING MEDIANS

Throughout the year the Research & Development Division at Laventhol & Horwath receives many phone calls requesting explanations on various information contained in this study. "What is a median?" and "Why don't these amounts add to the total?" are probably the two most frequently asked questions. Hopefully, this article will shed some light on these confusing issues.

A median is defined as the middle value of all amounts calculated for a specific line item. For example, if we received nine responses for number of full-time employees—8,4,2,6,9,7,5,1,3, these numbers would be arranged sequentially 1,2,3,4,5,6,7,8,9 and the middle value '5' would be the median since 50 percent of the responses received are below the value and 50 percent are above.

In some exhibits the responses are also broken into quartiles, or four equal parts, with the median still being the middle value. The lower quartile is the value that separates the lowest 25 percent of the responses from the rest of the sample when arranged sequentially, while the upper quartile defines the boundaries of the upper 25 percent of the responses from the lower 75 percent. Stated another way, 50 percent of all responses fall between the lower and upper quartiles. For example, if we receive 99 responses for a specific item and the responses (conveniently) were numbered 1 thru 99, the median, or middle value, would be 50, the lower quartile would be 25 (25 percent of the responses would be below 25), and the upper quartile would be 75 (25 percent of the responses would be above 75.) Fifty percent (or half) of the responses would fall between the lower and upper quartiles (see chart below.)

Now an attempt will be made to answer the question "Why don't the amounts add to the totals?"

The most important thing to remember is that each line item is analyzed separately! In the accompanying table, when all amounts are arranged sequentially, the median total sales figure for hotel operations is equal to 100 percent. This figure is based on all the properties that make up the population. The median ratio of food sales to food and beverage sales was 72.3 percent and the ratio of beverage sales to food and beverage sales was 28.1 percent. These two items were analyzed on samples of 425 and 365* hotels, respectively. Different sample sizes indicate that it is very likely that the respective medians come from different hotels. This also holds true for lower and upper quartile figures.

Example 1 (From Exhibit 15)
Restaurant Operations Ratios to Total Food and Beverage Sales

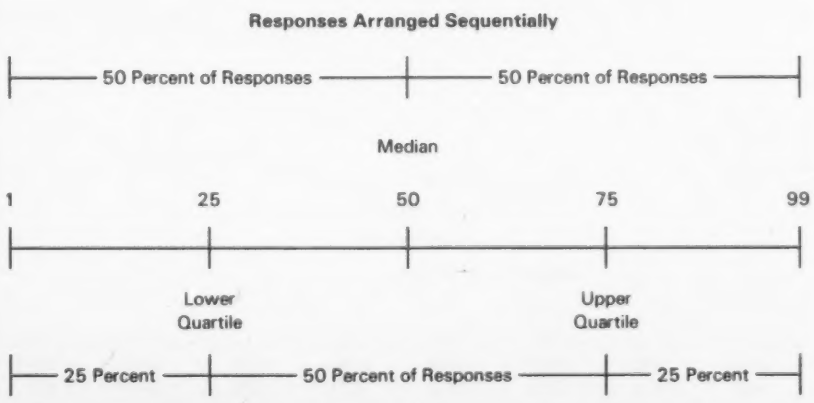
Sales	All Establishments
Food	72.3%
Beverage	28.1%
Total	100.0%

One important fact to remember when comparing a hotel with those reported in this study is that it is not constructive to compare a whole column to your hotel's results (the median column, for example).

If your hotel has roughly the same total sales as the median reported it may not be correct to follow through using median amounts for costs and expenses. Since each line is analyzed separately, one property may be close to the median in sales, but may have much higher or lower costs and expenses. There are certain factors such as type of hotel, menu-theme and location that may predetermine the costs and expenses and will automatically make a figure higher or lower than the median.

The proper way to compare your hotel's results with those reported in this study is to first complete the worksheet provided in the back of this study. Then compare industry figures to your figures, line by line. Large variances may identify an area in an operation that requires closer analysis.

**The numbers used for sample sizes are representative and are not actual sample sizes.*



EXPLANATION OF TERMS

Administrative and General Expenses

Payroll—Salaries of managing director, manager, executive assistant manager (not on floor duty); their secretaries and other clerks in managers' offices; accounting office; front office bookkeepers, bill clerks, cashiers, night auditors; credit department; receiving clerks; employment and personnel managers.

Cash Payroll

Entire cash payroll of hotel, including house laundry and print shop.

Current Position

Prepaid expenses are included in current assets and current mortgage payment installments are excluded from current liabilities.

Energy Costs

Cost of electrical current, fuel, steam and water net of energy sales to stores and others.

Income Before Fixed Charges

For purposes of this study, income before fixed charges is defined as the total of rooms department income, food and beverage department income, minor operated departments income, store rentals and other income, less all undistributed expenses.

Income From Minor Operated Departments

Income from guest laundry, valet, cigar-newsstand, barber shop and other service departments operated by the hotel less merchandise costs, payroll and related expenses, and other expenses directly chargeable to any of these operations.

Inventory Turnover

Gross cost before deducting employees' meals divided by the average of the opening and ending inventories.

Marketing

Payroll and related expenses for sales, advertising and publicity managers and their secretaries and clerks. Also, expenses such as printing, stationery, artwork, layouts, literature, house organ, postage, traveling expenses, entertaining, etc.; space in newspapers and magazines; broadcasting; billboards and car cards.

Median—Lower Quartile—Upper Quartile

In a column arranged in regular sequence from high to low, or vice versa, the median is the middle figure. In the case of operating results, this means that half of the hotels represented had better results than the median and the other half had poorer results.

The lower quartile is the dividing point between the lowest quarter and the upper three-quarters of the group. The upper quartile is the dividing point between the highest quarter and the lower three-quarters of the group.

Thus, the lower quartile, median and upper quartile divide a series of figures into four equal parts. The results of the middle half of the hotels fall between the lower and upper quartiles.

Property Operation and Maintenance

Payroll and related expenses for carpenters, upholsterers, carpet men, masons, electricians, machinists, locksmiths, elevator mechanics, painters, paperhangers and similar maintenance employees; the chief and assistant engineers; boilermen; firemen; ice pullers; incinerator men; storekeepers and clerks in engineer's office and stores. Also, expenses such as uniforms; cost of supplies and outside contracts for painting, repairing of furniture, springs, mattresses and pillows, floor coverings, curtains, draperies and scarves, shades, screens and awnings, electrical and mechanical equipment, elevators, building and other maintenance work, and all similar supplies; expenses associated with providing the hotel with heat, light, power and water.

Rentals and Other Income

Rental income from stores, offices, clubs and other spaces not classified as concessions used for business purposes. Also includes revenue from concessions, income from vending machine operations, commissions (including pay stations) and interest earned.

Restaurant

Cost (Food)—Cost of food sold before and after deduction of the cost of employees' meals.

Cost (Beverage)—Cost of beverages sold, after deduction of the cost of employees' beverages.

Payroll—Stewards, chefs, cooks, waitresses and busboys, dishwashers, butchers, vegetable cleaners, bakers, pantry help, etc.; wine stewards and bartenders; stock clerks, storekeepers, cost clerks, checkers and cashiers.

Income, Departmental—Total restaurant sales and other restaurant income less total cost of food and beverages consumed, payroll and related expenses and other direct restaurant expenses.

Sales, Total Restaurant (Food and Beverage)—Gross sales of food and beverages less allowances. Cover charges and other miscellaneous restaurant income are not included.

Rooms

Payroll—Assistant manager, front office clerks, not including bookkeepers, cashiers and bill clerks; housekeeper and assistants; linen room; maids; housemen; bellmen; elevator operators; floor clerks; doormen; house officers; security.

Income, Departmental—Room sales less rooms payroll and related expenses and other direct room expenses.

Sales—Total rent income from guest and nonbanquet public rooms less allowances, not including office rentals, etc.

Sales, Total

All sales and income less allowances and cover charges.

Taxes

In calculating "Number of Times Taxes Were Earned," taxes include all municipal taxes, such as real estate, personal property, sewer and utility. All payroll taxes are charged to the various departments.

Telephone

Income or Loss, Departmental--Telephone sales less cost of telephone service, telephone payroll and related expenses and other direct telephone expense.

Sales—Gross revenue from use of telephone facilities by guests less allowances. Includes service charges and pay station commissions.

Further explanation may be found in *Uniform System of Accounts for Hotels.*

ANALYZE YOUR OPERATION

Periodic analysis of the financial performance of your lodging establishment may provide early warning signs of potential problems. Examination on a regular basis could reveal undesirable trends and provide the opportunity for corrective action. The worksheet below is designed to provide a quick analysis of key items to reveal problem areas.

Follow these simple instructions for completing the worksheet:

1. Enter your figures in the first column.

2. Select the appropriate medians for comparison from the tables or text.

3. If the variance is greater than plus or minus 10 percent, further analysis should be made to determine the reason for that variance.

Worksheet

Amount Per Available Room	Your Figures	Medians or Quartiles From *Texas Lodging Industry* Report		
Revenue Rooms	$			
Telephone	$			
Rentals and Other Income	$			
Total	$			
Payroll and Related Expenses	$			
Departmental Expenses Rooms	$			
Telephone	$			
Total	$			
Undistributed Expenses (Excluding Payroll) Administrative & General	$			
Marketing	$			
Energy Costs	$			
Property Operation & Maintenance	$			
Total	$			
Income Before Fixed Charges	$			
Fixed Charges	$			
Rent	$			
Property Taxes	$			
Insurance	$			
Interest	$			
Depreciation	$			
Total	$			
Net Income Before Income Tax	$			

Supplemental Operating Information

General Statistics				
Occupancy	%	%	%	%
Average Rate Per Occupied Room	$	$	$	$
Income Before Fixed Charges				
Ratio to Total Sales	%	%	%	%
Productivity Index	times	times	times	times

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